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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other independent professional adviser.

If you have sold or transferred all your shares in **China BlueChemical Ltd.**, you should at once hand this circular, together with the enclosed form of proxy and reply slip, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR  
CONTINUING CONNECTED TRANSACTIONS  
PROPOSED ANNUAL CAPS FOR CONTINUING CONNECTED  
TRANSACTIONS  
AND  
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



**Halcyon Capital Limited**

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A notice convening the EGM to be held at the Meeting Room, 3rd Floor, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC on Monday, 29 December 2014 at 10:00 a.m. is set out on pages 47 to 50 of this circular.

A reply slip and a form of proxy for use at the EGM (or any adjournment thereof) are enclosed and are also published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon before Tuesday, 9 December 2014. Whether or not you are able to attend the EGM, you are strongly advised to complete and sign the enclosed form of proxy, in accordance with the instructions printed thereon, and to lodge them with the Company's Secretary Office of the Board in China (for holders of domestic shares or unlisted foreign shares) at Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC or the Company's H share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H shares), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

\* *For identification purpose only*

7 November 2014

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## DEFINITIONS

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

<b>“Board”</b>	the board of Directors
<b>“CNOOC”</b>	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
<b>“CNOOC China Limited”</b>	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
<b>“CNOOC Fudao”</b>	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
<b>“CNOOC Gas Pipelining”</b>	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
<b>“CNOOC Gas &amp; Power”</b>	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
<b>“CNOOC Group”</b>	CNOOC and its associates, excluding the Group
<b>“CNOOC Jiantao”</b>	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
<b>“CNOOC Leasing”</b>	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
<b>“CNOOC Limited”</b>	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
<b>“CNOOC Ranhua”</b>	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
<b>“Company”</b>	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

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## DEFINITIONS

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<b>“Comprehensive Services and Product Sales Agreement”</b>	the comprehensive services and product sales and purchase framework agreement dated 28 October 2014 entered into between the Company and CNOOC
<b>“CPI”</b>	Consumer Price Index
<b>“Director(s)”</b>	director(s) of the Company
<b>“Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement”</b>	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
<b>“DYK Chemical”</b>	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
<b>“EGM”</b>	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 as set out in this circular, and for the Shareholders to consider and, if thought fit, approve the proposed appointment of Mr. Wang Hui as the executive director of the Company, and any adjournment thereof
<b>“Finance Lease Agreement”</b>	the finance lease framework agreement dated 28 October 2014 entered into between the Company and CNOOC Leasing

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## DEFINITIONS

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<b>“Four Major Types Of Crude Oil”</b>	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)
<b>“Fudao Phase I Urea Plant”</b>	the Company’s urea plant with a 520,000-tonne annual capacity in Hainan
<b>“Fudao Phase II Urea Plant”</b>	the Company’s urea plant with a 800,000-tonne annual capacity in Hainan
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“Hainan Haikong”</b>	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
<b>“Hainan Phase I Methanol Plant”</b>	the Company’s methanol plant with a 600,000-tonne annual capacity in Hainan
<b>“Hainan Phase II Methanol Plant”</b>	the Company’s methanol plant with a 800,000-tonne annual capacity in Hainan
<b>“Hainan Plants”</b>	Fudao Phase I Urea Plant, Fudao Phase II Urea Plant, Hainan Phase I Methanol Plant and Hainan Phase II Methanol Plant
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Huahe Chemical”</b>	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
<b>“Independent Board Committee”</b>	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 as set out in this circular

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## DEFINITIONS

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<b>“Independent Financial Adviser” or “Halcyon Capital”</b>	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 as set out in this circular
<b>“Independent Shareholders”</b>	Shareholders other than those who have interest in the relevant Non-exempted Continuing Connected Transactions as set out in this circular
<b>“Latest Practicable Date”</b>	5 November 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Natural Gas Sale and Purchase Agreements”</b>	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) 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
<b>“Non-exempted Continuing Connected Transactions”</b>	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

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## DEFINITIONS

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<b>“Platts Crude Oil Marketwire”</b>	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
<b>“PRC” or “China”</b>	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region and Taiwan
<b>“Proposed Cap(s)”</b>	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
<b>“Prospectus”</b>	the Hong Kong prospectus of the Company dated 18 September 2006
<b>“Reorganisation”</b>	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
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
<b>“Share(s)”</b>	share(s) of the Company
<b>“Shareholder(s)”</b>	shareholder(s) of the Company

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## DEFINITIONS

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**“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 circular 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.*



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)

*Executive Director:*

Mr. YANG Yexin

*Non-executive Directors:*

Mr. LI Hui

Mr. ZHOU Dechun

Mr. ZHU Lei

*Independent non-executive Directors:*

Mr. GU Zongqin

Ms. LEE Kit Ying

Mr. LEE Kwan Hung

*Registered Office:*

No. 1 Zhu Jiang South Street

Dongfang City

Hainan Province

The PRC

*Principal place of business*

*in Hong Kong:*

65/F., Bank of China Tower

No. 1 Garden Road

Central

Hong Kong

7 November 2014

*To the Shareholders*

Dear Sir/Madam,

**INTRODUCTION**

We refer to the announcement dated 24 October 2014 and 28 October 2014 of the Company in relation to, among other things, the proposed appointment of an executive director and the continuing connected transactions of the Company.

The purposes of this circular are:

- (1) to provide details of the proposed appointment of Mr. Wang Hui as an executive director of the Company;
- (2) to provide details in respect of the Non-exempted Continuing Connected Transactions;
- (3) to set out the recommendations from the Independent Board Committee in respect of the agreements in relation to certain continuing connected transactions and the Proposed Caps;
- (4) to set out the advice from Halcyon Capital in respect of terms of the agreements in relation to certain continuing connected transactions and the Proposed Caps;

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## LETTER FROM THE BOARD

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- (5) to provide the Shareholders with other information required under the Listing Rules; and
- (6) to provide the Shareholders with the notice of the EGM.

### PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

The Board proposed to appoint Mr. Wang Hui (“**Mr. Wang**”) as an executive director of the Company. His term of office will commence from the date on which approval of his appointment by the Shareholders is obtained at the EGM and shall last until a new session of the Board is approved by the Shareholders at the 2014 annual general meeting of the Company. The appointment of Mr. Wang as an executive director of the Company is subject to the approval by the Shareholders at the EGM.

Biographical details of Mr. Wang are set out below:

Mr. Wang, born in 1964, graduated from Jilin University in 1987 with a bachelor’s degree, majoring in International Law. Mr. Wang obtained a master degree of Business Administration from Tsinghua University in 2004 and was further awarded the title of senior economist. From August 1987 to June 1993, Mr. Wang served in the development division of China National Chemical Construction Corporation International Tendering Co., Ltd. (中國化工建設總公司國際招標公司). From June 1993 to October 1995, Mr. Wang served as business representative at the Germany representative office of China National Chemical Construction Corporation (中國化工建設總公司). From October 1995 to January 2000, Mr. Wang served successively as the senior project manager, deputy general manager and general manager in China National Chemical Construction Corporation International Tendering Co., Ltd.. From February 2000 to September 2009, he served successively as assistant to the general manager, deputy general manager, general manager and the Party Secretary in China National Chemical Construction Corporation. From March 2008 to September 2009, Mr. Wang served as the Party Secretary of the Company. From August 2008 to September 2009, Mr. Wang served as the executive vice president of the Company. Mr. Wang served as the chairman of the board of directors of Shandong Haihua Group Co., Ltd. (山東海化集團有限公司) from October 2009 to September 2014. From June 2010 to December 2011, Mr. Wang served as the deputy general manager of CNOOC Refinery & Petrochemicals and Sales Division. From March 2010 to October 2014, Mr. Wang served as a director of Shandong Haihua Company Limited (山東海化股份有限公司) (a company listed on Shenzhen stock exchange, stock code: 000822).

Subject to the approval of his appointment by the Shareholders at the EGM, the chairman of the Board will be authorized to enter into a service contract with Mr. Wang. In addition, the Board will be authorised by the Shareholders, and the remuneration committee of the Board will be further delegated the responsibility by the Board to determine his remuneration as an executive director according to his qualifications, abilities, responsibilities and experience. As soon as his remuneration is fixed by the remuneration committee of the Board, the Company will make an announcement accordingly.

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## LETTER FROM THE BOARD

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Save as disclosed above, Mr. Wang (i) is not related to any Directors, supervisors, senior management or substantial or controlling shareholders of the Company; (ii) is not interested in any Shares within the meaning of Part XV of the SFO; and (iii) did not hold any other position with the Company or other members of the Group, nor any directorships with any other listed public companies in the past three years.

Save as disclosed herein, there are no matters that need to be brought to the attention of the Shareholders, and there is no other information in relation to the appointment of Mr. Wang that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules in relation to his proposed appointment herein.

### **SUMMARY OF THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS**

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

##### *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, 28 March 2012 and 28 October 2014 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.

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## LETTER FROM THE BOARD

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- (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 under the Natural Gas Sale and Purchase Framework Agreement dated 1 September 2006 pursuant to which CNOOC China Limited has agreed to supply natural gas to the Company for Hainan Phase II Methanol 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 15 years, commencing on 1 January 2011 and will expire on 31 December 2025.

As disclosed in the Prospectus of the Company, for the abovementioned natural gas sale and purchase agreements under (1) to (3) entered into by the Company before its listing on 29 September 2006, the Company applied to the Stock Exchange at the time of its listing for, and the Stock Exchange has granted, a waiver from strict compliance with the independent shareholders' approval requirement. The joint sponsors to the listing have also confirmed that they consider that a term of 20 years for the natural gas sale and purchase agreements under (1) to (3) signed before the Company's listing is appropriate.

In addition to the abovementioned 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 transactions conducted with Hainan Haikong, being an independent third party to both the Company and CNOOC Group 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

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## LETTER FROM THE BOARD

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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. Nevertheless, as set out in this circular, the Company is seeking the Independent Shareholders' approval of the proposed caps for the transactions contemplated under the Natural Gas Sale and Purchase Agreements for the three financial years commencing on 1 January 2015 and ending on 31 December 2017.

### *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 in 2016 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.

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## LETTER FROM THE BOARD

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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 as CNOOC China Limited is the sole supplier of natural gas in the region. The parties will negotiate for the adjustment of the benchmark price in August each year taking into consideration 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 separate natural gas sale and purchase agreements 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.

Since the term of the natural gas delivery period under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement is for a period longer than three years, Halcyon Capital, is required to: (i) explain why such agreement requires a longer period; and (ii) confirm if it is normal business practice for agreements of this type to be of such duration, pursuant to Rule 14A.52 of the Listing Rules.

Having considered that (i) it was the practice of CNOOC Limited and its subsidiaries to (a) sign long duration supply agreements/sales contracts (with tenure ranging from 5 to 28 years) with both connected and independent third party customers in order to ensure the return on substantial capital investment for development of gasfields and (b) make reference to the estimated reserves and production profile of the relevant gasfields for stable supply of natural gas to determine the duration of natural gas supply agreements/sales contracts; and (ii) the Company's need to secure a stable source of natural gas as primary feedstock for its production facilities in Hainan to avoid unnecessary disruption to its normal business operation, Halcyon Capital is of the view that it is reasonable for the term of the natural gas delivery period under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement to be of a longer period than three years.

In addition, Halcyon Capital has, among other things, discussed with the senior management of the Company about the rationale for the duration of such agreement and has reviewed publicly available information regarding a number of natural gas sale and purchase agreements which involve duration in excess of three years, and based on such review, Halcyon Capital is of the opinion that 9-year term of the natural gas delivery period under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement is in line with normal business practice for agreements of this type.

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## LETTER FROM THE BOARD

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### *Comprehensive Services and Product Sales Agreement*

We refer to the Company's announcements dated 28 October 2014 in relation to, among other things, the continuing connected transactions of the Company.

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), dependent upon service locations and the facilities established by the Group or CNOOC Group;
- (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), dependent upon service locations and the facilities established by the Group or CNOOC Group; and
- (c) the Group has agreed to sell products (urea, phosphate fertiliser, methanol, potash, formaldehyde, ammonia, etc.) to CNOOC Group and CNOOC Group has agreed to sell products (potash, agent, etc.) to the Group.

Pursuant to the Comprehensive Services and Product Sales Agreement, the Company has agreed to sell potash to CNOOC Group as part of its new potash trading business. Under the new potash trading business arrangement, a Hong Kong-incorporated subsidiary of the Company will purchase potash from overseas suppliers and sell the potash to a domestic subsidiary of CNOOC which is one of the only four companies holding licenses to import and distribute potash in China. The selling price of potash to CNOOC Group shall not be lower than the prevailing potash import price offered by independent third parties with reference to the potash prices published by other relevant companies in the market or public information.

In addition, since none of the Company or its domestic subsidiaries holds the potash import license, the Group cannot import potash from its Hong Kong subsidiary directly. Instead, the Group may purchase potash from CNOOC Group when situation requires. The designated department of the Group will compare the selling prices quoted from CNOOC Group with those of independent third parties to ensure the potash prices offered by CNOOC Group will not be higher than the prices quoted from independent third parties.

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## LETTER FROM THE BOARD

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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 in the period from 2015 to 2017) 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. Please refer to the announcement of the Company dated 28 October 2014 for more information on the provision of services, supplies and sale of products by CNOOC Group to the Group.

The transactions under category (i), i.e. the provision of services, supplies and sale of products by the Group to CNOOC Group, 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 sale of products by the Group to CNOOC Group, to be priced in accordance with the following principles:
  - (i) The designated department of the Company will compare selling prices to third parties to make sure the selling prices to CNOOC Group will not be lower than the prices charged by the Group to independent third parties for the same type of products;

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## LETTER FROM THE BOARD

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- (ii) 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
- (iii) 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 abovementioned services, supplies and products without an 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 the 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.

### *Finance Lease Agreement*

We refer to the Company's announcement dated 28 October 2014 in relation to, among other things, the continuing connected transactions of the Company.

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.

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## LETTER FROM THE BOARD

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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 principal amount, the lease interest rate and commission fees shall be determined in accordance with the following principles:

- (a) principal amount: for scenario (1) above, the principal amount shall be net carrying value of such production facility/equipment or the appraised value of such production facility/equipment by an independent valuer; for scenario (2), the principal amount shall be the purchase price of such production facility/equipment;
- (b) lease interest and commission fees: the consolidated rate of lease interest plus commission fees during the lease period shall not be higher than the available loan interest rate quoted from 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.

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**LETTER FROM THE BOARD**

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**HISTORICAL TRANSACTION FIGURES AND THE PROPOSED ANNUAL CAPS WITH RESPECT TO NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS**

Set out below are the historical amounts of each of the Non-exempted Continuing Connected Transactions 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 Non-exempted Continuing Connected Transactions	Year ended 31 December 2012		Year ended 31 December 2013		Six months ended 30 June 2014	Year ending 31 December 2014
	Actual amount	Approved cap	Actual amount	Approved cap	Actual amount	Approved cap
	<i>Amounts in RMB'000</i>					
Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited ( <i>Note 1</i> )	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 the Group to CNOOC Group ( <i>Note 2</i> )	262,549	426,777	221,438	1,177,654	118,612	1,315,227
Finance Lease Agreement: Provision of finance lease services by CNOOC Leasing to the Group ( <i>Note 3</i> )	—	—	—	—	—	—

*Notes:*

- The difference between the actual transaction amount and the approved annual caps from 2012 to 2013 was because the proposed annual caps for the three financial years ending 31 December 2014 were determined based on theoretical maximum amount of gas consumption on a full-year running basis without considering possible overhauls or non-scheduled stops in each production plant of the Company in Hainan.
- The difference between the actual transaction amount and the approved annual caps from 2012 to 2014 was mainly caused by (1) the reduced demands from CNOOC Group for the services, supplies and products provided by the Group; and (2) CNOOC Group's certain project under construction which was expected to commence operation in 2013 have been deferred to 2015.
- 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.

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## LETTER FROM THE BOARD

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The table below set out the proposed annual caps for the Non-exempted Continuing Connected Transactions:

<b>Category of the Non-exempted Continuing Connected Transactions</b>		<b>Year ending 31 December 2015 <i>(Note 1)</i></b>	<b>Year ending 31 December 2016 <i>(Note 1)</i></b>	<b>Year ending 31 December 2017 <i>(Note 1)</i></b>
		<i>Amounts in RMB'000</i>		
Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited <i>(Note 3)</i>	Proposed Caps <i>(Note 2)</i>	2,488,145	3,160,629	3,379,107
Comprehensive Services and Product Sales Agreement: Provision of services, supplies and sale of products by the Group to CNOOC Group <i>(Note 4)</i>	Proposed Caps <i>(Note 2)</i>	1,793,372	2,138,701	2,481,607
Finance Lease Agreement: Provision of finance lease services by CNOOC Leasing to the Group <i>(Note 5)</i>	Proposed Caps <i>(Note 2)</i>	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 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. The Proposed Caps are subject to Independent Shareholders' approval at the EGM.
3. ***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.

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## LETTER FROM THE BOARD

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4. ***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 be supplied to CNOOC Group by the Group; (2) the estimate on the increase in volume of port loading and offloading services to be provide by the Group to CNOOC Group; and (3) commencement of new trading business of supply of potash by the Group to CNOOC Group.
5. ***Finance Lease Agreement: Provision of finance lease by CNOOC Leasing to the Group:*** The annual cap, being the annual cap on the aggregate principal amount outstanding plus lease interest and commission fees under the finance leases, is mainly for the potential demand of DYK Chemical and Huahe Chemical.

### 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.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

As mentioned in the announcements of the Company dated 28 October 2014, the Non-exempted Continuing Connected Transactions were or will be entered into for the business needs and benefits of the Group. 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.

The Non-exempted Continuing Connected Transactions 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 Non-exempted 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 the Proposed Caps of those transactions as described above are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As CNOOC is the controlling shareholder of the Company, CNOOC and its associates (other than the Group) are therefore connected persons of the Company under Rule 14A.07 of the Listing Rules. Given CNOOC Limited and CNOOC Leasing are 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.

Thus, the transactions contemplated under the Natural Gas Sale and Purchase Agreements, the Comprehensive Services and Product Sales Agreement and the Finance Lease Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of the Proposed Caps of the Non-exempted Continuing Connected Transactions exceeds 5%, these Non-exempted Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Meanwhile, as the highest applicable percentage ratio in respect of the Proposed Caps for the transactions contemplated under the Finance Lease Agreement is more than 5% but less than 25%, the transactions contemplated thereunder also constitute discloseable 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.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE PARTIES INVOLVED

#### 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 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.

### BOARD CONFIRMATION

The Board (including the independent non-executive Directors) are of the view that 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 are arrived at after arm's length negotiations by each party and entered into in the course of normal business of the Group and are of the view that the transactions contemplated thereunder and the respective Proposed Caps for each year ending 31 December 2017 are on normal commercial terms and fair and reasonable and are also in the interest of the Company and the Shareholders as a whole.

Due to their respective position in CNOOC, Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei have all abstained from voting on the Board resolutions agreeing to submit to Independent Shareholders for approval of the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement, the Comprehensive Services

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## LETTER FROM THE BOARD

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and Product Sales Agreement and the Finance Lease Agreement and the Non-exempted Continuing Connected Transactions (including the Proposed Caps) contemplated thereunder in accordance with Rule 13.44 of the Listing Rules. Save as disclosed above, none of the Directors has any material interest in the Non-exempted Continuing Connected Transactions.

### RECOMMENDATION

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors) believe that (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 are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and (2) together with the Proposed Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

For the purpose of the EGM, the Board has established the Independent Board Committee to consider and advise the Independent Shareholders with respect to (1) the 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 Proposed Caps. The Company has also appointed Halcyon Capital as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

The letter of advice from Halcyon Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 26 to 43 of this circular.

Your attention is drawn to the letter from the Independent Board Committee which is set out on page 25 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (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 are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and (2) together with the Proposed Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

### EGM

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

- (1) the appointment of Mr. Wang Hui as an executive director of the Company by the Shareholders;

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## LETTER FROM THE BOARD

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- (2) 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 by the Independent Shareholders;
- (3) 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 by the Independent Shareholders;
- (4) 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 by the Independent Shareholders; and
- (5) the Finance Lease Agreement entered into between the Company and CNOOC Leasing and the Proposed Caps for 2015 to 2017 for the finance lease services between the Group and CNOOC Leasing contemplated thereunder by the Independent Shareholders.

At the EGM, CNOOC and its associates will abstain from voting with respect to the Non-exempted Continuing Connected Transactions. As at the Latest Practicable Date, the voting rights attached to 2,738,999,512 domestic shares of the Company were controlled by CNOOC and such number of shares represented approximately 59.41% of the issued share capital of the Company.

The notice of the EGM to be held at 10:00 a.m. on Monday, 29 December 2014 is set out on pages 47 to 50 of this circular. A reply slip and a form of proxy for use at the EGM are also enclosed.

Whether or not you are able to attend the EGM, you are strongly advised to complete and sign the enclosed form of proxy, in accordance with the instructions printed thereon, and to lodge them with the Company's Secretary Office of the Board in China (for holders of domestic shares or unlisted foreign shares) at Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H shares), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

### **A POLL AT EXTRAORDINARY GENERAL MEETING**

In accordance with the requirement of Rule 13.39(4) of the Listing Rules, all resolutions to be considered, and if thought fit, to be passed at the EGM, shall be passed by way of a poll.

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## LETTER FROM THE BOARD

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### OTHER INFORMATION

Your attention is drawn to the letter from Halcyon Capital which contains its advice to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the additional information set out in the appendices to this circular and the notice of the EGM.

By Order of the Board  
**China BlueChemical Ltd.\***  
**Li Hui**  
*Chairman*

\* *For identification purpose only*



**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)**

7 November, 2014

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 7 November 2014 (the “**Circular**”) despatched by the Company to the Shareholders of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the fairness and reasonableness 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 Proposed Caps. Halcyon Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on those aspects of the continuing connected transactions.

We wish to draw your attention to the letter from the Board set out on pages 7 to 24 of the Circular and the letter from Halcyon Capital containing its advice to us set out on pages 26 to 43 of the Circular.

Having considered the advice given by Halcyon Capital, we are of the opinion that (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 are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and (2) together with the Proposed Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the above agreements and the Proposed Caps for each relevant type of the Non-exempted Continuing Connected Transactions.

Yours faithfully,

**Lee Kit Ying, Gu Zongqin and Lee Kwan Hung**  
*Members of Independent Board Committee*

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.*



**Halcyon Capital Limited**  
11/F, 8 Wyndham Street,  
Central, Hong Kong

7 November 2014

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

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

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with respect to (i) 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 (ii) the relevant Proposed Caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 7 November 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, CNOOC was a controlling Shareholder within the meaning of the Listing Rules. Accordingly, CNOOC and its associates (other than the Group) are the connected persons of the Company under Rule 14A.07 of the Listing Rules. CNOOC Limited 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 are connected persons of the Company under Chapter 14A 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% and the respective Proposed Caps exceeds HK\$10,000,000, the Non-exempted Continuing Connected Transactions are subject to the requirements of reporting, announcement and Independent Shareholders’ approval under Chapter 14A of the Listing Rules. CNOOC and its associates will abstain from voting at the EGM with respect to the Non-exempted Continuing Connected Transactions.

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Lee Kit Ying, Mr. Gu Zongqin and Mr. Lee Kwan Hung, has been established to advise the Independent Shareholders as to whether the entering into of

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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 are on normal commercial terms and in the ordinary and usual course of business of the Group, and together with the Proposed Caps are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole and how to vote on the relevant resolutions in the EGM. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide the Independent Board Committee and the Independent Shareholders with an independent opinion and recommendation in this regard.

### **BASIS OF OUR OPINION**

Other than this appointment as the Independent Financial Adviser, we have no relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. We are hence independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion and recommendation, we have relied on the information, financial information and facts included in the Circular and supplied to us, and the representations expressed by the Directors and/or management of the Group, and have assumed that all such information, financial information, facts and any representations made to us, or referred to in the Circular, for which they are fully responsible, in all material aspects, were true, accurate and complete as at the time they were made and as at the date hereof, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and representations provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Natural Gas Sale and Purchase Agreements, the Comprehensive Services and Product Sales Agreement and the Finance Lease Agreement and certain published information from the public domain.

We have also discussed with the Directors and/or the management of the Group with respect to the terms of and the reasons for the Non-exempted Continuing Connected Transactions (including the relevant Proposed Caps), and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the management of the Group nor have we

conducted any form of in-depth investigation into the businesses, affairs, financial position, profitability or prospects of the Group, CNOOC and each of their respective associates, and the parties involved in the Non-exempted Continuing Connected Transactions.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the Non-exempted Continuing Connected Transactions, we have considered the following principal factors and reasons:

### **I. Background and reasons for entering into of the Non-exempted Continuing Connected Transactions**

The Group is principally engaged in the development, production and sales of fertilisers (including urea, phosphate and compound fertiliser) and chemical products (primarily methanol and polyoxymethylene).

As advised by the management of the Group, the Group has established long-term business relationships with CNOOC Group, including the supply of natural gas by CNOOC China Limited as principal raw material to the Group's production facilities of urea and methanol, namely Fudao Phase II Urea Plant, Hainan Phase I Methanol Plant and Hainan Phase II Methanol Plant, and the provision of services and supplies and sale of products between the Group and the CNOOC Group.

As set out in the Board Letter, the following existing Natural Gas Sale and Purchase Agreements, with natural gas delivery period ranging from 15 to 20 years, will not expire this year and the terms of the supply of natural gas by CNOOC China Limited remain unchanged:

- (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 for Fudao Phase II Urea Plant;
- (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 for Hainan Phase I Methanol Plant; and
- (iii) Ledong Natural Gasfield Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited dated 26 March 2010 for Hainan Phase II Methanol Plant.

As set out in the Board Letter, CNOOC Ranhua, as a result of the Reorganisation, 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 and given the natural gas stable delivery period under such agreement will expire in 2016, 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 in order to secure stable and reliable supply of natural gas as feedstock mainly for Fudao Phase I Urea Plant.

The Company also entered into the Comprehensive Services and Product Sales Agreement with CNOOC on 28 October 2014 to continue the provision of services and supplies and sale of products between the Group and the CNOOC Group commencing from 1 January 2015 to 31 December 2017.

Furthermore, as announced by the Company on 22 September 2014, DYK Chemical, a non-wholly owned subsidiary of the Company entered into a finance lease agreement for sale and leaseback of assets of certain production facilities with CNOOC Leasing. CNOOC Leasing is a wholly owned subsidiary of CNOOC and is principally engaged 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. In order to broaden the Group's funding platform and source for its future development funding needs and allow the Group with the flexibility to select appropriate service provider for its financing arrangement to raise funds with lower costs, the Company entered into the Finance Lease Agreement with CNOOC Leasing on 28 October 2014.

CNOOC is one of the largest state-owned oil companies in the PRC and an integrated conglomerate with various business sectors covering oil and gas exploitation, technical services, natural gas and power generation, financial services, logistics services and new energies development. CNOOC Limited and its subsidiaries (including CNOOC China Limited) are principally engaged in exploration, development, production and sales of offshore oil and natural gas in the PRC.

Having taken into account the aforesaid, we concur with the Directors' view that it is desirable for the Group to continue its business relationship with and to seek supports from the CNOOC Group as such cooperation is expected to benefit the Group for its business development from leveraging on the CNOOC Group's extensive resources and experience in various business sectors and the entering into of the Non-exempted Continuing Connected Transactions is in the ordinary and usual course of business of the Group.

**II. Principal Terms of Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement, the Comprehensive Services and Purchase Sales Agreement and the Finance Lease Agreement**

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

Principal terms of the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement are set out as below:

- (a) CNOOC China Limited has agreed to supply and the Company and CNOOC Fudao have agreed to purchase natural gas;

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- (b) the natural gas delivery period under this framework agreement is nine years tentatively commencing on 1 August 2015;
- (c) will be priced in accordance with a benchmark price;
- (d) the benchmark price will be subject to negotiation for adjustments 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; and
- (e) separate natural gas sale and purchase agreements will be entered into with CNOOC China Limited according to the principles laid down by this framework agreement before 30 June 2015.

We have discussed with the management of the Company the rationale for the 9-year term of the natural gas delivery period under the 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 existing natural gas and purchase agreement for Fudao Phase I Urea Plant in 2016, the Group had to source other natural gas supply in Hainan as continual support to the operation of Fudao Phase I Urea Plant in Hainan. The Group has discussed with CNOOC China Limited, the sole supplier of natural gas in the region of Hainan where the Group's production facilities reside, and identified Phase I Adjusted Project of Dongfang 1-1 offshore gasfield (being an extension to the existing offshore gasfield for supply of natural gas under Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement) which can supply natural gas to Fudao Phase I Urea Plant. As advised by the management of the Company, the 9-year term of the natural gas delivery period under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement was determined based on the estimated reserves and production profile of the Phase I Adjusted Project of Dongfang 1-1 Offshore Gasfield. Furthermore, through the long-term natural gas sale and purchase agreement, the Group is able to secure a stable source of natural gas as primary feedstock for its production facilities in Hainan which in turn can avoid unnecessary disruption to its normal business operation.

We noted from the annual report ("**CNOOC 2013 Annual Report**") of CNOOC Limited (the parent company of CNOOC China Limited) for the year ended 31 December 2013 and the circular ("**CNOOC Circular**") of CNOOC Limited dated 7 November 2013 regarding the renewal of continuing connected transactions that it was the practice of CNOOC Limited and its subsidiaries to (a) sign long duration supply agreements/sales contracts (with tenure ranging from 5 to 28 years) with both connected and independent third party customers in order to ensure the return on substantial capital investment for development of gasfields

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and (b) make reference to the estimated reserves and production profile of the relevant gasfields for stable supply of natural gas to determine the duration of natural gas supply agreements/sales contracts.

Furthermore, based on our own research on internet, we have reviewed publicly available information regarding arrangements for supply of natural gas with tenure exceeding three years and our findings are set out as below.

<b>Company</b>	<b>Background</b>
Chesapeake Energy Corporation (“ <b>Chesapeake</b> ”)	Chesapeake is a company listed on the New York Stock Exchange primarily engaged in the acquisition, exploration, and development of properties for the production of natural gas, oil, and natural gas liquids from underground reservoirs in the United States with market capitalisation of approximately US\$14.2 billion as at the Latest Practicable Date. As shown in the 2013 annual report, Chesapeake is the second-largest producer of natural gas in the United States.
Delek Group Ltd. (“ <b>Delek</b> ”)	Delek is a company listed in Israel and primarily engaged in the exploration and production of natural gas in the Eastern Mediterranean’s Levant Basin with market capitalisation of approximately 15.1 billion Israeli Shekel (equivalent to approximately US\$4.0 billion) as at the Latest Practicable Date.
Noble Energy, Inc. (“ <b>Noble Energy</b> ”)	Noble Energy is an energy company listed on the New York Stock Exchange and primarily engaged in the exploration and production of crude oil and natural gas properties worldwide with market capitalisation of approximately US\$19.6 billion as at the Latest Practicable Date. As shown in the 2013 annual report, Noble Energy is a leading energy company engaged in worldwide oil and gas exploration and production.

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Statoil ASA (“**Statoil**”) Statoil is a listed company in Norway principally engaged in exploration, production, transportation, refining, and marketing of petroleum and petroleum-derived products in Norway and internationally and with a market capitalization of approximately 476.7 billion Norwegian Krone (equivalent to approximately US\$69.5 billion) as at the Latest Practicable Date.

*Source: Bloomberg*

Details of the natural gas agreements entered into by the companies as mentioned above are set out below:

<b>Parties</b>	<b>Date of media release</b>	<b>Period of agreement</b>	<b>Details of the transactions</b>
Noble Energy, Arab Potash Company and Jordan Bromine Company	19 February 2014 <i>Source: website of Noble Energy</i>	15 years	Noble Energy will supply natural gas, of a total gross contract quantity of approximately 66 billion cubic feet, from offshore Israel to Arab Potash Company and Jordan Bromine Company for use in their facilities near the Dead Sea.
Chesapeake and Methanex Corporation	23 January 2013 <i>Source: website of Chesapeake</i>	10 years	Chesapeake agreed to supply natural gas required for Methanex Corporation’s methanol plant in Geismar, Louisiana.
Delek and Oil Refineries Ltd.	27 November 2012 <i>Source: website of Delek</i>	7 years	Delek undertook to supply natural gas to Oil Refineries Ltd. of a total of up to 5.8 billions of cubic meters from the date of the start of the flow of gas and conclude at the end of 7 years.
Statoil and Wintershall Holding GmbH	20 November 2012 <i>Source: website of Statoil</i>	10 years	Statoil and Wintershall Holdings GmbH have entered into a 10-year gas sales agreement for the delivery of a total of 45 billion cubic meters to the German and other North-West European markets.

As shown from the above arrangements, the duration of natural gas sale and purchase arrangements range from 7 years to 15 years.

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Taking into account that it is the practice of CNOOC Limited and its subsidiaries to sign long duration supply agreements/sales contracts (with tenure ranging from 5 to 28 years) with both connected and independent third party customers and there are other natural gas suppliers entering into natural gas supply contracts in recent years (with tenure ranging from 7 to 15 years) as detailed above, we consider that the 9-year term of the natural gas delivery period under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement is in line with normal business practice for contracts of this type.

We have reviewed the pricing principles laid down in the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement. As advised by the management of the Group, the transactions will be priced in accordance with a benchmark price, which is determined after arm's length negotiation between the Group and CNOOC China Limited after taking into account the exploration, development and production cost of the Phase I Adjusted Project of Dongfang 1-1 offshore gasfield plus reasonable return to CNOOC China Limited. We noted that such benchmark price is comparable to the average realised price per thousand cubic feet of natural gas in 2013 as disclosed in the CNOOC 2013 Annual Report.

In addition, the benchmark price will be subject to negotiation for adjustments in August each year taking into consideration of the factors such as adjustment policy by the state pricing regulatory authorities to natural gas pricing, prices of domestic energy markets, domestic prices for natural gas and change in CPIs. As advised by the management of the Company, CNOOC China Limited is the sole supplier of natural gas in the region of Hainan where the Group's production facilities reside and there was currently no government prescribed price for natural gas sourced from offshore gasfields. Such adjustment mechanism to the benchmark price by referencing to a variety of factors was arrived at between the parties after arm's length negotiation with an aim to avoiding the effect of volatility of natural gas price to both business operation of the Group and CNOOC China Limited and would facilitate the Group's negotiation in the annual review for benchmark price in the supplier-oriented market.

As discussed with the management of the Group, the designated department of the Group will before annual review for benchmark price assess the reasonableness of the benchmark price with reference to market information relating to the above mentioned factors and submit the assessment result and the proposed change to benchmark price, if any, to the senior management of the Group for approval and negotiation with CNOOC China Limited and the designated department of the Group will then base on the adjusted price after negotiation and agreement with CNOOC China Limited, if any, for settlement. Accordingly, we are of the view that there are adequate procedures in place to ensure that the actual purchase price of natural gas will be in accordance with the stated pricing basis.

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Given the above, we consider that the terms of Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement were arrived at after arm's length negotiation and due and careful consideration between the Group and CNOOC China Limited and are of the view that the terms of the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### *Comprehensive Services and Product Sales Agreement*

Principal terms of the Comprehensive Services and Product Sales Agreement are set out as below:

- (a) the Group has agreed to provide to the 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), dependent upon service locations and the facilities established by the Group or CNOOC Group;
- (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), dependent upon service locations and the facilities established by the Group or CNOOC Group; and
- (c) the Group has agreed to sell products (urea, phosphate fertiliser, methanol, potash, formaldehyde, ammonia, etc.) to CNOOC Group and CNOOC Group has agreed to sell products (potash, agent, etc.) to the Group.

The transactions under the Comprehensive Services and Products 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:

- (i) As to the provision of services and supplies by the Group to CNOOC Group, to be priced:
  - i. not lower than the prices charged by the Group to comparable independent third parties for the same type of services or supplies;
  - or

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- 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;
  - 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.
- (ii) As to the sale of products by the Group to CNOOC Group, to be priced:
- i. not lower than the prices charged by the Group to comparable independent third parties for the same type of products;
  - ii. 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 suppliers in the same areas; or
  - iii. 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 suppliers in the adjacent areas.

As discussed with the management of the Company, despite the abovementioned service, supplies and products without an applicable government-prescribed price for now, we understand that 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 the government-prescribed price accordingly.

We have reviewed the Comprehensive Services and Product Sales Agreement and have reviewed the relevant invoices issued by the Group to CNOOC Group and independent third parties respectively on a sample basis and relevant approval documents issued by the sales department of the Group and noted that the prices charged by the Group were comparable to those charged to independent third parties.

Taking into account the above, we are of the view that the terms of the Comprehensive Services and Product Sales Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

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### *Finance Lease Agreement*

Principal terms of the Finance Lease Agreement are set out as below:

- (a) CNOOC Leasing has agreed 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 the provision of the finance lease service.

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 principal amount, the lease interest rate and commission fees shall be determined in accordance with the following principles:

- (a) principal amount: for scenario (1) above, the principal amount shall be net carrying value of such production facility/equipment or the appraised value of such production facility/equipment by an independent valuer; for scenario (2), the principal amount shall be the purchase price of such production facility/equipment; and
- (b) lease interest and commission fees: consolidated rate of lease interest plus commission fees during the lease period shall not be higher than the available loan interest rates quoted from the PRC commercial banks for the corresponding period.

We have reviewed the Finance Lease Agreement and as discussed with the management of the Company, we understood that before entering into the individual finance lease agreement with CNOOC Leasing under the Finance Lease Agreement, the Company will seek for quotations from independent finance lease service providers and PRC commercial banks, and compare offers for the same assets classes to make sure the method of determination of the principal amount and consolidated rate of lease interest plus commission fees provided by CNOOC Leasing are not less favourable than those provided by other independent financial institutions to the Group. Based on our discussion with the management of the Company and the information provided including, among others, the memorandum prepared by the Company in relation to the relevant internal

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control procedures, we understand that the Company will conduct the connected transactions under the Finance Lease Agreement in accordance with the abovementioned procedures.

In consideration of the foregoing, we are of the view that the terms of the Finance Lease Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### III. Basis of the Relevant Proposed Caps

Set out below are the Proposed Caps in respect of the relevant Non-exempted Continuing Connected Transactions for each of the three years ending 31 December 2017:

Category of the Continuing Connected Transactions		Year ending	Year ending	Year ending
		31 December 2015	31 December 2016	31 December 2017
<i>Amounts in RMB'000</i>				
Natural Gas Sale and Purchase Agreements: Purchase of natural gas by the Group from CNOOC China Limited	Proposed Caps	2,488,145	3,160,629	3,379,107
Comprehensive Services and Product Sales Agreement: Provision of services and supplies and sales of products by the Group to the CNOOC Group	Proposed Caps	1,793,372	2,138,701	2,481,607
Finance Lease Agreement: Provision of finance lease services by CNOOC Leasing to the Group	Proposed Caps	2,424,200	2,424,200	2,424,200

As set out in the Board Letter, in determining the Proposed Caps for each of the Non-exempted Continuing Connected Transactions, the Directors have estimated the annual transaction figures for the coming three financial years ending 31 December 2017 on the following bases:

- (a) the Non-exempted Continuing Connected Transactions continuing to be entered into on the terms and conditions set out in the relevant agreements;
- (b) the Non-exempted 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.

We noted that (i) the Group's proposed annual cap amounts for the total consideration to be paid by the Group to CNOOC China Limited for the natural gas supplied by CNOOC China Limited for each of the three years ending 31 December 2015, 2016 and 2017 of approximately RMB2,488.1 million, RMB3,160.6 million and RMB3,379.1 million respectively, represent a decrease of approximately 13.6% comparing to the annual cap amount for the year ending 31 December 2014, an increase of approximately 27.0% comparing to the proposed cap amount for the year ending 31 December 2015, and an increase of approximately 6.9% comparing to the proposed cap amount for the year ending 31 December 2016 respectively; (ii) the Group's proposed annual cap amounts for the total consideration to be received by the Group from CNOOC Group for services, supplies and products provided by the Group for each of the three years ending 31 December 2015, 2016 and 2017 of approximately RMB1,793.4 million, RMB2,138.7 million and RMB2,481.6 million respectively, represent an increase of approximately 36.4% comparing to the cap amount for the year ended 31 December 2014, approximately 19.3% comparing to the proposed cap amount for the year ending 31 December 2015, and approximately 16.0% comparing to the proposed cap amount for the year ending 31 December 2016 respectively; and (iii) the Group's proposed annual cap amounts for the total consideration of approximately RMB2,424.2 million to be paid by the Group to CNOOC Leasing for the finance lease services provided by CNOOC Leasing for each of the three years ending 31 December 2015, 2016 and 2017.

*Proposed Caps of the Natural Gas Sale and Purchase Agreements*

In assessing the reasonableness of the Proposed Caps of the natural Gas Sale and Purchase Agreement, we have discussed with the management of the Company and understand that the Group has taken into account of the following principal factors in determining such Proposed Caps: (i) the Group's estimated average price of natural gas to be supplied for Hainan Plants in coming three years after taking into account the historical average natural gas price and the Group's estimation on the growth of natural gas price in the coming three years; (ii) the Group's estimated maximum demand for natural gas consumption for production of Hainan Plants; (iii) natural gas consumption to be supplied mainly to Fudao Phase I Urea Plant under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement; and (iv) a buffer of 5% in consideration of the possibility of fluctuation in natural gas price and/or gas volume to be provided by CNOOC China Limited to the Group.

As advised by the management of the Company, we understand that the significant increase in the Proposed Cap of 2016 as compared to that of 2015 is mainly due to the natural gas purchase for Fudao Phase I Urea Plant under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase

Framework Agreement upon the expiry of the natural gas stable delivery period under the natural gas sale and purchase agreement entered into between Hainan Haikong and CNOOC Fudao as mentioned in the Board Letter. We have reviewed the natural gas sale and purchase agreement dated 26 April 1996 entered into by Hainan Haikong and CNOOC Fudao and we understand that the natural gas stable delivery period under such agreement will expire in 2016. Taking into account of the historical volume of natural gas purchased by CNOOC Fudao and the production capacity of Fudao Phase I Urea Plant, we consider the estimated volume made by the Company for the coming three years is in line with the historical volume and hence the proposed cap amounts in relation to Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement are fair and reasonable.

We have reviewed the calculation of the Proposed Cap under the Natural Gas Sale and Purchase Agreements and noted that such Proposed Cap is arrived at based on the Group's estimated unit price and demand for natural gas of Hainan Plants. We have reviewed invoices provided by the Company for supply of natural gas by CNOOC China Limited to the Group on a sample basis, the pricing principles stipulated in the Natural Gas Sale and Purchase Agreements, historical average purchase prices of natural gas and price trends of Four Major Types of Crude Oil since 2012 and consider that the estimated natural gas price used for the calculation of relevant cap amounts is reasonable. We also understand the estimated demand for natural gas adopted by the Company for the calculation of the relevant cap amounts is mainly determined by reference to the historical natural gas volume consumed by the Hainan Plants and the volume stipulated in the Natural Gas Sale and Purchase Agreements. In addition, in view that the natural gas price is affected by fluctuated international energy prices, we consider the 5% buffer is reasonable.

Taking into account the above, we consider the Proposed Cap in respect of the Natural Gas Sale and Purchase Agreements is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

*Proposed Cap of the Comprehensive Services and Product Sales Agreement (as to the provision of services, supplies and sale of products by the Group to CNOOC Group)*

In assessing the reasonableness of the Proposed Cap of the Comprehensive Services and Product Sales Agreement, we have reviewed the calculation of the Proposed Cap and understand the Proposed Cap is arrived at based on the estimated demand for the relevant products, services and supplies from the CNOOC Group in accordance with their respective business operation and plan. We have discussed with the management of the Company and understand that the increase is mainly attributable to the following factors: (i) the estimate on the increase of volume and unit price of methanol products to be provided by the Group to CNOOC Group; (ii) the estimate on the increase in volume of port loading and offloading services to be provided by the Group to CNOOC Group;

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(iii) commencement of new trading arrangement for supply of potash by the Group to CNOOC Group; and (iv) a buffer of 5% in consideration of the possibility of fluctuation in the relevant prices and/or demand in relation thereto in the coming three years.

As discussed with the management of the Company, we understand that the significant increase in the Proposed Cap of 2015 under the Comprehensive Services and Product Sales Agreement as compared to the cap amount of 2014 is attributable to the new trading arrangement of supply of potash by the Group to CNOOC Group where the estimated total consideration account for approximately 55.8%, 59.6% and 63.4% of the Proposed Cap of the Comprehensive Services and Product Sales Agreement for each of the three years ending 31 December 2017 and no such annual caps were provided for in previous years. As advised by management of the Group, a Hong Kong-incorporated subsidiary of the Company will purchase potash from overseas suppliers and sell the potash to a domestic subsidiary of CNOOC which is one of the only four companies holding licenses to import and distribute potash in the PRC and the selling price of potash to CNOOC Group shall not be lower than the prevailing potash import price offered by independent third parties with reference to the potash prices published by other relevant companies in the market or public information. We have reviewed the memorandum signed between the Group and the CNOOC Group and the relevant calculation on the cap amounts for the coming three years. As advised by the Company, the total consideration of the potash to be supplied to CNOOC Group under the new trading arrangement was estimated based on the historical purchase quantity, purchase price and estimated demand made by CNOOC Group. We have reviewed the relevant potash purchase agreements of CNOOC Group with an independent third party in the prior year and the relevant sales invoices on a sample basis and consider the relevant cap amount for the supply of potash to CNOOC Group is reasonable.

We have discussed with the management of the Group about the basis of the estimated increase in sales of methanol products and provision of port loading and offloading services by the Group to CNOOC Group in coming three years and understood that the estimated increase was mainly because of commencement of operation of a project of CNOOC Group since 2015, which require those products and services from the Group after taking into account the production/processing capacities of such project. The estimated total consideration in relation to such project accounted for approximately 19.4%, 16.5% and 14.6% of the Proposed Cap of the Comprehensive Services and Product Sales Agreement for each of the three years ending 31 December 2017. As further advised by the management of the Company, such project was originally planned to be in operation in previous years and was deferred to 2015, which also led to the historical transaction amounts being lower than the previous annual caps. We have reviewed the historical average selling prices and price trends of the Group's methanol products since 2012 and consider that the estimated selling prices of the methanol products in the Proposed Cap are generally in line with the aforesaid parameters.

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We have reviewed contracts and invoices for some products, services and supplies on sample basis and taking into account the possible fluctuation in prices and demand for services, supplies and/or products caused by various factors such as changes in business operation and plan of the CNOOC Group in the coming three years, we consider the 5% buffer is reasonable.

Taking into account of the foregoing, we consider the Proposed Cap in respect of the Comprehensive Services and Product Sales Agreement is fair and reasonable so far as the Company and the Independent Shareholders concerned.

### *Proposed Cap of the Finance Lease Agreement*

In assessing the reasonableness of the Proposed Cap of the Finance Lease Agreement, we have discussed with the management of the Company the Proposed Cap was determined mainly based on potential demand for finance lease services by the Group from CNOOC Leasing for its daily operation and development.

As advised by the management of the Company, the relevant Proposed Cap was arrived at based on the estimated financial needs of the Company's relevant subsidiaries and the consolidated rate of lease interest plus commission fees to be lower than the loan interest rate quoted from the PRC commercial banks for the corresponding period. Taking into account the Proposed Cap has been made reference to the financial positions (including the borrowing level) and net assets value of available production assets of the Company's relevant subsidiaries as shown on their respective financial statements as at 31 December 2013 and 30 June 2014 and the loan interest rate as quoted from the website of People's Bank of China, we consider the Proposed Cap in respect of the Finance Lease Agreement is fair and reasonable so far as the Company and the Independent Shareholders concerned.

Based on the foregoing review and analyses, we consider that each of the Proposed Caps was made by the Directors after due and careful consideration and therefore, we concur with the view of the Directors that the basis for determining the relevant Proposed Caps is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Given that the Proposed Caps relate to future events and do not represent a forecast of transaction amounts to be incurred as a result of the relevant Non-exempted Continuing Connected Transactions, we express no opinion as to how closely the actual transaction amounts of each of the Non-exempted Continuing Connected Transactions correspond with the Proposed Caps as discussed above.

**IV. Reporting Requirements and Conditions of the Non-exempted Continuing Connected Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Non-exempted Continuing Connected Transactions are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Non-exempted Continuing Connected Transactions and confirm in the annual report whether the Non-exempted Continuing Connected Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole;
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Non-exempted Continuing Connected Transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group (if applicable);
  - (iii) were not entered into, in accordance with the relevant agreements governing the Non-exempted Continuing Connected Transactions; and
  - (iv) have exceeded the Proposed Caps;
- (c) the Company must allow, and ensure that the relevant counterparties to the Non-exempted Continuing Connected Transaction allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transaction as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditors of the Company cannot confirm the matters as required.

Taking into account the abovementioned reporting requirements attached to the Non-exempted Continuing Connected Transactions and the Group's internal control measures as detailed in the Board Letter, in particular, (i) the restriction of the value of the Non-exempted Continuing Connected Transactions by way of the Proposed Caps; and (ii) the on-going review by the independent non-executive Directors and auditors

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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of the Company of the Non-exempted Continuing Connected Transactions, we are of the view that there exist appropriate measures to monitor the conduct of the Non-exempted Continuing Connected Transactions and assist to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider (i) the entering into of 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 is in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) together with the Proposed Caps are fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement, the Comprehensive Services and Product Sales Agreement, the Finance Lease Agreement and the Proposed Caps.

Yours faithfully,  
For and on behalf of  
**Halcyon Capital Limited**  
**Terry Chu**  
*Managing Director*

*Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 14 years of experience in corporate finance industry.*

**RESPONSIBILITY STATEMENT**

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, none of the Directors, supervisors or the chief executive of the Company has interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Save for Mr. Li Hui, Mr. Zhou Dechun and Mr. Zhu Lei concurrently serving as Directors and/or management members of CNOOC, as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**SERVICE CONTRACTS OF THE DIRECTORS**

No Director or supervisor of the Company had entered into any service contract with the Company, which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

**COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in other business which competes or is likely to compete with the business of the Group.

**EXPERT STATEMENTS**

This circular includes statement(s), opinion(s) or advice(s) made by the following expert:

<b>Name</b>	<b>Qualification</b>
Halcyon Capital Limited	Licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**NO MATERIAL INTERESTS**

As at the Latest Practicable Date, none of the Directors, the supervisors of the Company and the above expert had any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and the supervisors of the Company was materially interested in any contract or arrangement subsisting at the date of this circular which was significant in relation to the business of the Group.

**NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, save as disclosed in the interim report of the Company for the six months ended 30 June 2014 published on 25 September 2014, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, the date to which the latest published consolidated audited accounts of the Group had been made up.

**MATERIAL LITIGATION**

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries.

**MISCELLANEOUS**

- (i) The company secretary of the Company is Mr. Quan Changsheng. Mr. Quan Changsheng is also the Chief Financial Officer and a vice president of the Company.
- (ii) The registered office and the principal place of business of the Company is No. 1 Zhu Jiang South Street, Dongfang City, Hainan Province, the PRC. The Hong Kong H Share Registrar and H Share transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. The H Share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, whose registered office is at 17M Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong.
- (iii) The English language text of this document shall prevail over the Chinese language text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company’s representative office in Hong Kong at 65/F., Bank of China Tower, No. 1 Garden Road, Central, Hong Kong for a period of 14 days (excluding public holidays) from the date of the circular:

- (i) the letter from the Independent Board Committee dated 7 November 2014, the text of which is set out on page 25 of this circular;
- (ii) the letter from the Independent Financial Adviser dated 7 November 2014, the text of which is set out on pages 26 to 43 of this circular;
- (iii) the consent letter dated 7 November 2014 signed by the Independent Financial Adviser in relation to the issue of this circular;
- (iv) the Comprehensive Services and Product Sales Agreement entered into between the Company and CNOOC dated 28 October 2014; and
- (v) the Finance Lease Agreement entered into between the Company and CNOOC Leasing dated 28 October 2014.



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)**

**NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of China BlueChemical Ltd. (the “**Company**”) will be held at the Meeting Room, 3rd Floor, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC, on Monday, 29 December 2014 at 10 a.m.. Unless otherwise indicated, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 7 November 2014 (the “**Circular**”). The EGM is for the purposes of considering and, if thought fit, passing the following resolutions:

**By way of ordinary resolutions:**

**“THAT:**

1. To consider and approve the appointment of Mr. Wang Hui as an executive director of the Company, to authorise the chairman of the board of directors of the Company (the “**Board**”) to sign a service contract with Mr. Wang Hui for and on behalf of the Company, and to authorise the Board, which in turn will further delegate the remuneration committee of the Board to determine his remuneration according to his qualifications, abilities, responsibilities and experience.
2. To consider and approve the entering into of the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement dated 28 October 2014 entered into among the Company, CNOOC Fudao and CNOOC China Limited, details of which are set out in the Circular; and the Board is hereby authorized to take such actions as are necessary to implement the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement.
3. To consider and approve the proposed annual caps for the transactions under the Natural Gas Sale and Purchase Agreements for the three financial years commencing on 1 January 2015 and ending on 31 December 2017 as set out in the Circular; and the Board is hereby authorized to take such actions as are necessary to implement the proposed annual caps for the transactions under the Natural Gas Sale and Purchase Agreements.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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4. To consider and approve the entering into of the Comprehensive Services and Product Sales Agreement dated 28 October 2014 between the Company and CNOOC, details of which are set out in the Circular; and the Board is hereby authorized to take such actions as are necessary to implement the Comprehensive Services and Product Sales Agreement.
5. To consider and approve the proposed annual caps for the transactions in relation to the provision of services and supplies and sale of products by the Group to CNOOC Group under the Comprehensive Services and Product Sales Agreement for the three financial years commencing on 1 January 2015 and ending on 31 December 2017 as set out in the Circular; and the Board is hereby authorized to take such actions as are necessary to implement the proposed annual caps for the transactions in relation to the provision of services and supplies and sale of products by the Group to CNOOC Group under the Comprehensive Services and Product Sales Agreement.
6. To consider and approve the entering into of the Finance Lease Agreement between the Company and CNOOC Leasing dated 28 October 2014, details of which are set out in the Circular; and the Board is hereby authorized to take such actions as are necessary to implement the Finance Lease Agreement.
7. To consider and approve the proposed annual caps for the transactions under the Finance Lease Agreement for the three financial years commencing on 1 January 2015 and ending on 31 December 2017 as set out in the Circular; and the Board is hereby authorized to take such actions as are necessary to implement the proposed annual caps for the transactions under the Finance Lease Agreement.”

By Order of the Board  
**China BlueChemical Ltd.\***  
**Li Hui**  
*Chairman*

Beijing, the PRC  
7 November 2014

\* *For identification purpose only*

*As at the date of this notice, the executive director of the Company is Mr. Yang Yexin, the non-executive directors of the Company are 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.*

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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### Notes:

1. In order to determine the list of shareholders who are entitled to attend the EGM, the registers of members will be closed from 30 November 2014 to 29 December 2014, both days inclusive, during which period no transfer of shares will be effected. Shareholders of the Company whose names appear on the registers of members of the Company on 29 December 2014 are entitled to attend the meeting.

In order to attend and vote at the meeting, holders of H shares of the Company whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on 28 November 2014. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company. Where a shareholder has appointed more than one proxy to attend the meeting, such proxies may only vote on a poll.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its attorney or duly authorised attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

In order to be valid, in respect of holders of domestic shares or unlisted foreign shares, the proxy form together with the power of attorney or other authorisation document (if any) must be deposited at the Company's Secretary Office of the Board in China (Address: Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC) not less than 24 hours before the time fixed for holding the meeting. In respect of the Company's H shares, the said documents together must be lodged at the Company's H share Registrar within the abovementioned period by holders of H shares. Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the meeting if she/he so wishes. The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

3. Shareholders who intend to attend the meeting in person or by proxy should return the reply slip in person, by post or by fax to the Company's Secretary Office of the Board in China (for holders of domestic shares or unlisted foreign shares) or Computershare Hong Kong Investor Services Limited (for holders of H shares) on or before Tuesday, 9 December 2014. The Company's Secretary Office of the Board in China is Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District,

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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Beijing, the PRC (Tel: 0086-10-84527250, Fax: 0086-10-84527254, Post code: 100029). The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

4. Shareholders or their proxy must present proof of their identities upon attending the EGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
5. The EGM is expected to last not more than one day. Shareholder or proxies attending the EGM are responsible for their own transportation and accommodation expenses.