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中海石油化学股份有限公司 China Blue Chemical Ltd.*

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

(Stock code: 3983)

CONTINUING CONNECTED TRANSACTIONS

Upon consolidating the transaction amounts for 2006, the Directors note that during the period from 29 September 2006 (i.e. the listing date of the Company) to 31 December 2006, the Group had sold methanol to CNOOC Enterprises Company (an Associate of CNOOC) pursuant to the Comprehensive Services and Product Sales Agreement and its aggregate revenue generated by such transactions was approximately RMB12,168,000. In late March 2007, the management of the Company was aware that this aggregate revenue amount has exceeded the de minimis threshold under Rule 14A.33 of the Listing Rules, but has not exceeded 2.5% in respect of each applicable percentage ratios calculated under Rule 14.07 of the Listing Rules. Also, for the months from January 2007 to March 2007, the aggregate amount of the transactions from the Company to CNOOC and its Associates for products produced by the Company under the Comprehensive Services and Product Sales Agreement are approximately RMB8,482,000. Compared to the 2006 published figures on the total revenue, this amount has exceeded the de minimis threshold but has not exceeded 2.5% in respect of each applicable percentage ratios calculated under Rule 14.07 of the Listing Rules. These transactions therefore constitute continuing connected transactions under Rule 14A.34 of the Listing Rules which are subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirement. The Company therefore makes this announcement to comply with the announcement requirement. Further announcement will be made by the Company if it considers appropriate to set up a cap for the three years ending 31 December 2009.

Comprehensive Services and Product Sales Agreement

As described in the Prospectus, the Company entered into the Comprehensive Services and Product Sales Agreement with CNOOC on 1 September 2006, pursuant to which, among others, the Group may sell to CNOOC and its Associates products produced by the Group. For details of such agreement, please refer to the continuing connected transactions of Category 8 set out in the section headed "Connected Transactions" in the Prospectus.

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

- (i) price prescribed by the PRC Government;
- (ii) where there is no government-prescribed price but there is a government guidance price, at a price not higher than the guidance price set by the PRC Government;

- (iii) where there is neither a government-prescribed price nor a government guidance price, the market price; and
- (iv) where none of the above is applicable, the price will be agreed between the relevant parties based on the cost plus a margin of up to 10% on cost.

In relation to the sale of products produced by the Group to CNOOC and its Associates, the pricing principles (i) and (ii) stated above are not applicable.

Connected person

CNOOC is a controlling shareholder (as defined in the Listing Rules) of the Company. CNOOC and its Associates are therefore regarded as connected persons (as defined in the Listing Rules) of the Company. Continuing transactions between the Group and CNOOC/its Associates will constitute connected transactions of the Company under the Listing Rules.

Historical situation before listing of the Company

As disclosed in the Prospectus, during the period from 1 January 2003 to 11 September 2006, the Group had not sold any of its products to CNOOC or its Associates and the Directors expected that if the Group would sell products to CNOOC and its Associates, the Group's annual revenue in that regard would not be more than the de minimis threshold calculated under Rule 14A.33 of the Listing Rules.

Historical transaction figures for the period from the listing date to 31 December 2006

Upon consolidating the transaction amounts for 2006, the Directors note that during the period from 29 September 2006 (i.e. the listing date of the Company) to 31 December 2006, the Group had sold methanol to CNOOC Enterprises Company (an Associate of CNOOC) pursuant to the Comprehensive Services and Product Sales Agreement and its aggregate revenue generated by such transactions was approximately RMB12,168,000. In late March 2007, the management of the Company was aware that this aggregate revenue amount has exceeded the de minimis threshold under Rule 14A.33 of the Listing Rules, but has not exceeded 2.5% in respect of each applicable percentage ratios calculated under Rule 14.07 of the Listing Rules. Also, for the months from January 2007 to March 2007, the aggregate amount of the transactions from the Company to CNOOC and its Associates for products produced by the Company under the Comprehensive Services and Product Sales Agreement are approximately RMB8,482,000. Compared to the 2006 published figures on the total revenue, this amount has exceeded the de minimis threshold but has not exceeded 2.5% in respect of each applicable percentage ratios calculated under Rule 14.07 of the Listing Rules. These transactions therefore constitute continuing connected transactions under Rule 14A.34 of the Listing Rules which are subject to the reporting and announcement requirements but are exempted from independent shareholders' approval requirement. The Company therefore makes this announcement to comply with the announcement requirement and will report such transactions in its published annual report and accounts as compliance with the reporting requirement. Further announcement will be made by the Company if it considers appropriate to set up a cap for the three years ending 31 December 2009.

The consideration for such continuing connected transaction in 2006 and 2007 was determined with reference to market prices and the payments were usually made by cash.

Reasons for, and benefits of, the continuing connected transactions

The sale of products by the Group to CNOOC and its Associates is in the ordinary course of the Group's business and allows the Group to sell its products at reasonable prices. The Group will also benefit from the transactions with CNOOC Enterprises Company since this will widen the client base of the Group and will further strengthen the Group's position in the methanol industry. Also, as the payment will be immediately satisfied by way of cash by CNOOC Enterprises Company, the transaction will provide sufficient cashflow which is beneficial to the Group and reduce the risk of non-payment. Further, the sale of products are made at reasonable prices based on commercial decisions made by the Group and thereby allows the Group to achieve a higher revenue.

Opinion of the Directors

The Directors (including independent non-executive Directors) believe that such transactions were entered into in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and are of the view that the terms of the transactions were fair and reasonable so far as the shareholders of the Company are concerned.

General

The Company is principally engaged in the production and sale of urea (the most commonly used nitrogenous fertilizer) and methanol in China and are expanding into the production of high valued synthetic chemical products.

CNOOC and its subsidiaries are primarily engaged in oil and gas exploration and development, technical services, logistic services, chemicals and fertilizer production, natural gas and power generation and provision of financial services.

CNOOC Enterprises Company is a wholly-owned subsidiary of CNOOC and is primarily engaged in property development, the provision of comprehensive property management services and ancillary services to enterprises in China and the business of the wholesale of products.

Definitions

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

“Associates”	has the meaning ascribed thereto under the Listing Rules
“Company”	China BlueChemical Ltd.
“Comprehensive Services and Product Sales Agreement”	the comprehensive services and product sales agreement entered into between the Company and CNOOC on 1 September 2006
“CNOOC”	China National Offshore Oil Corporation (中國海洋石油總公司)
“Director”	a director of the Company
“Group”	the Company and its subsidiaries and jointly controlled entities from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Prospectus”	the prospectus dated 18 September 2006 issued by the Company in connection with the initial public offering of the Company’s H shares

By order of the board of Directors of
China BlueChemical Ltd.
Meng Jun
Company Secretary

Haikou, the PRC
11 April 2007

As at the date of this announcement, the executive directors are Mr. Yang Yexin, Mr. Fang Yong and Mr. Chen Kai, the non-executive director is Mr. Wu Mengfei, and the independent non-executive directors are Mr. Wang Wenshan, Mr. Zhang Xinzhi, Mr. Wu Xiaohua and Mr. Tsui Yiu Wa, Alec.

* *for identification purpose only*

“Please also refer to the published version of this announcement in The Standard”