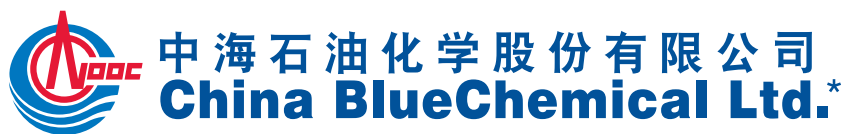


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(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock code: 3983)

**DISCLOSEABLE TRANSACTION,
PRICE-SENSITIVE INFORMATION AND
RESUMPTION OF TRADING**

**FORMATION OF A JOINT VENTURE COMPANY
IN JINCHENG CITY OF CHINA**

On 18 September 2007, the Company and Jincheng SASAC entered into the Jincheng Agreement which is subject to the approvals of relevant authorities. Pursuant to the Jincheng Agreement, the parties have agreed to establish China BlueChem Jincheng as a joint venture company in Jincheng City in Shanxi Province of China. The registered capital of China BlueChem Jincheng will be RMB1,600,000,000 which shall be contributed as to 75% by the Company and 25% by Jincheng SASAC.

China BlueChem Jincheng is intended to be principally engaged in the development, manufacturing and sale of mineral fertilizers and chemical products. China BlueChem Jincheng shall construct in Jincheng City production facilities with a designed production capacity of approximately 1,000,000 tonnes of urea per annum as the first phase of its construction plan.

As the applicable percentage ratios in respect of the Company's capital contributions to the registered capital of China BlueChem Jincheng under the Jincheng Agreement exceed 5% but are less than 25%, the formation of such company will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The information contained in the Jincheng Agreement also constitutes price-sensitive information for the Company. A circular containing, among others, details of the formation of China BlueChem Jincheng will be dispatched to the shareholders of the Company as soon as possible.

At the request of the Company, trading in the H Shares of the Company on the Stock Exchange had been suspended with effect from 2:56 p.m. on 18 September 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the H Shares of the Company with effect from 9:30 a.m. on 20 September 2007.

INTRODUCTION

On 26 April 2007, the Company announced its discussions with the mayor of Jincheng City in Shanxi Province of China, relating to the Company's strategic plan of establishing a granular urea plant in Jincheng City. Further to such discussions and to the studies of the steering group jointly set up by the municipal government of Jincheng City and the Company on the proposals for such a project, the Company and Jincheng SASAC signed the Jincheng Agreement for the purpose of establishing China BlueChem Jincheng as a joint venture company in Jincheng City.

THE JINCHENG AGREEMENT

Date:

18 September 2007

Parties:

- (1) The Company; and
- (2) Jincheng SASAC

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Jincheng SASAC is an independent third party and is not a connected person of the Company within the meaning of the Listing Rules.

The Jincheng Agreement is subject to the approvals of relevant authorities.

Nature and business scope of China BlueChem Jincheng:

China BlueChem Jincheng is intended under the Jincheng Agreement to be established as a limited liability company under the Company Law of China. The proposed business scope (subject to the approval of the relevant authorities) include development, manufacturing and sale of mineral fertilizers and chemical products; import and export trading of mineral fertilizers, chemical raw materials and products; and provision of agricultural-chemical technical services.

The term of China BlueChem Jincheng is intended to be 50 years from its establishment date.

Registered capital of China BlueChem Jincheng and capital contributions:

The proposed registered capital of China BlueChem Jincheng is RMB1,600,000,000. The Company shall contribute RMB1,200,000,000 and the remaining RMB400,000,000 shall be contributed by Jincheng SASAC. China BlueChem Jincheng's equity interests attributable to the Company and Jincheng SASAC should therefore be 75% and 25% respectively.

The contributions to the registered capital shall be made in phases. The Company and Jincheng SASAC shall contribute RMB240,000,000 and RMB80,000,000 respectively in cash as the first phase no later than the submission of the application of China BlueChem Jincheng for establishment. The Company will finance the first phase of its contributions by its internal resources. The timing and the form of subsequent contributions shall be agreed by the two shareholders according to the construction development progress of China BlueChem Jincheng. For clarity, at the time of this announcement, there is no agreement between the Company and Jincheng SASAC as to the amount of total contribution and the form or mode of the subsequent contributions. In this regard the Company will make further announcements and comply with the Listing Rules from time to time as and when necessary. The Company has not yet decided on the source of funds for its subsequent contributions.

Save for the proposed registered capital of China BlueChem Jincheng, neither the Company nor Jincheng SASAC has committed to further contributions or made further commitments for the formation of China BlueChem Jincheng.

Composition of the board of directors and the supervisory board of China BlueChem Jincheng:

The board of directors of China BlueChem Jincheng is intended to comprise of five members, of which three will be appointed by the Company, one will be appointed by Jincheng SASAC, and the remaining one will be a representative of China BlueChem Jincheng's staff. The chairman, who will also be the legal representative of China BlueChem Jincheng, will be elected with the majority votes of the board amongst those directors appointed by the Company.

The supervisory board of China BlueChem Jincheng is intended to comprise of three members. Each of the Company and Jincheng SASAC is entitled to appoint one member and the third member shall be a representative of China BlueChem Jincheng's staff.

Investment plan:

It is intended that China BlueChem Jincheng shall construct in Jincheng City production facilities with a designed production capacity of approximately 1,000,000 tonnes of urea per annum as the first phase of its construction plan. Jincheng SASAC will assist in allocating coal resources and provide other possible supports to China BlueChem Jincheng.

INFORMATION ON JINCHENG SASAC

Jincheng SASAC is the governmental body in Jincheng that supervises and administers State-owned assets.

REASONS FOR AND BENEFIT OF FORMING CHINA BLUECHEM JINCHENG

The Company is primarily engaged in the production and sale of nitrogenous fertilizers. It is one of the Company's business strategies to expand its operations in China's fertilizer market through capacity expansion and production extension by way of developing nitrogenous fertilizer projects in various areas in China. The formation of China BlueChem Jincheng is one of the attempts to implement such a strategy. The Board anticipates that, by combining the financial strength and technologies related to fertilizers development owned by the Company with the coal resource and advantageous location benefit enjoyed by Jincheng City, the Jincheng joint venture can strengthen the Company's leading position in the domestic nitrogenous fertilizer industry and will bring greater return to its shareholders.

The terms of the Jincheng Agreement were determined after arm's length negotiations between the parties, and the transactions contemplated under the agreement are made on normal commercial terms and the terms of such transactions are fair and reasonable to, and in the interests of, the Company and its shareholders as a whole.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the H Shares of the Company on the Stock Exchange had been suspended with effect from 2:56 p.m. on 18 September 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 20 September 2007.

GENERAL

As the applicable percentage ratios in respect of the Company's capital contributions to the registered capital of China BlueChem Jincheng under the Jincheng Agreement exceed 5% but are less than 25%, the formation of such company will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The information contained in the Jincheng Agreement also constituted price-sensitive information for the Company.

A circular containing, among others, details of the formation of China BlueChem Jincheng will be dispatched to the shareholders of the Company as soon as possible.

DEFINITIONS

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

| | |
|---------------------------|---|
| “China” or “PRC” | the People’s Republic of China |
| “China BlueChem Jincheng” | the joint venture company to be established pursuant to the Jincheng Agreement, the company name of which is intended by the Company and Jincheng SASAC (subject to approval of the relevant authorities) to be 中海石油化學晉城化工有限公司 (China BlueChem Jincheng Chemical Limited) |
| “Company” | China BlueChemical Ltd. |
| “Director” | a director of the Company |
| “Jincheng Agreement” | the agreement in relation to the formation of China BlueChem Jincheng as a joint venture company dated 18 September 2007 and entered into between the Company and Jincheng SASAC |
| “Jincheng SASAC” | 晉城市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Committee of the municipal government of Jincheng City*) |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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

Haikou, the People’s Republic of China
19 September 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*