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

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**If you are in any doubt** about any of the contents of this Circular or as to what action to take in relation to this Circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

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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)**

**H-SHARE APPRECIATION RIGHTS SCHEME  
ADOPTION OF RULES OF PROCEDURES  
FOR THE SUPERVISORY COMMITTEE  
AUTHORISATION TO THE BOARD TO FIX THE DIRECTORS'  
REMUNERATION FOR THE TWO YEARS ENDED 31 DECEMBER 2008  
AND  
NOTICE OF EGM**

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A notice convening the EGM to be held at the Conference Room, 3rd Floor, CNOOC Office Building-B, No. 98 Guanhai Road, Longhua District, Haikou, Hainan Province, the People's Republic of China on Monday, 25 February 2008 at 10:00 a.m. is set out on pages 15 to 16 of this Circular.

A reply slip and a form of proxy for use at the EGM are enclosed and are also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon on or before 4 February 2008. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

\* For identification purpose only

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## DEFINITIONS

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

<b>“Board”</b>	the board of Directors;
<b>“Company”</b>	China BlueChemical Ltd.;
<b>“Directors”</b>	the directors of the Company;
<b>“Domestic Shares”</b>	domestic share(s) of nominal value of RMB1.00 each in the capital of the Company;
<b>“Exercise Price”</b>	the average closing price for the Company’s H Shares as traded on the Stock Exchange for the period commencing 30 days after announcement of the Company’s results for the financial year before the immediate previous financial year, until the end of the immediate previous financial year of the Company;
<b>“Granting Price”</b>	being the higher of: (1) the closing price as at the grant date of the share appreciation rights; and (2) the average closing price of the five trading days immediately preceding the date of grant of share appreciation rights;
<b>“Group”</b>	the Company and its subsidiaries;
<b>“EGM”</b>	the extraordinary general meeting of the Company to be held at the Conference Room, 3rd Floor, CNOOC Office Building-B, No. 98 Guanhai Road, Longhua District, Haikou, Hainan Province, the People’s Republic of China on Monday, 25 February 2008 at 10:00 a.m.;
<b>“Exercisable period”</b>	the first six months of the 3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> and 6 <sup>th</sup> financial years of the Company, commencing on the year whereby Shareholders’ approval is obtained for the Scheme;
<b>“H Shares”</b>	overseas listed foreign share(s) of nominal value of RMB1.00 each in the capital of the Company which are listed on the Stock Exchange;
<b>“Hong Kong”</b>	The Hong Kong Special Administrative Region of the PRC;
<b>“Latest Practicable Date”</b>	8 January 2008, being the latest practicable date prior to the printing of this circular;
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);
<b>“PRC”</b>	the People’s Republic of China, which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region;
<b>“Remuneration Committee”</b>	the remuneration committee of the Company;

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## DEFINITIONS

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<b>“SASAC”</b>	the State-owned Assets Supervision and Administration Commission of the State Council;
<b>“Scheme”</b>	the H-Share Appreciation Rights Scheme, details of which are set out in the paragraph headed “H-Share Appreciation Rights Scheme” in the section headed “Letter from the Board” of this circular;
<b>“Shares”</b>	Domestic Shares, H Shares and Unlisted Foreign Shares;
<b>“Shareholder(s)”</b>	registered holders of Shares;
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Ltd.;
<b>“Supervisors”</b>	supervisors of the Company;
<b>“Supervisory Committee”</b>	supervisory committee of the Company;
<b>“Total Annual Remuneration”</b>	the annual remuneration together with the entitlement under the Scheme for that particular year;
<b>“Unlisted Foreign Shares”</b>	ordinary shares in the capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in foreign currency by non-PRC nationals and/or non-PRC incorporated entities and are not listed on any stock exchange.

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LETTER FROM THE BOARD

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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)

***Executive Directors:***

Mr. Yang Yexin  
Mr. Fang Yong  
Mr. Chen Kai

***Non-executive Director:***

Mr. Wu Mengfei

***Independent non-executive Directors:***

Mr. Wang Wenshan  
Mr. Zhang Xinzhi  
Mr. Wu Xiaohua  
Mr. Tsui Yiu Wa, Alec

***Registered Office:***

No. 1 Zhu Jiang South Street  
Dongfang City  
Hainan Province  
The People's Republic of China

***Principal place of business in Hong Kong:***

65/F., Bank of China Tower  
No. 1 Garden Road  
Central  
Hong Kong

11 January 2008

*To the Shareholders:*

Dear Sir or Madam,

**H-SHARE APPRECIATION RIGHTS SCHEME  
ADOPTION OF RULES OF PROCEDURES  
FOR THE SUPERVISORY COMMITTEE  
AUTHORISATION TO THE BOARD TO FIX THE DIRECTORS'  
REMUNERATION FOR THE TWO YEARS ENDED 31 DECEMBER 2008  
AND  
NOTICE OF EGM**

**INTRODUCTION**

The purpose of this circular is to provide you with information relating to (1) the proposed approval of the H-Share Appreciation Rights Scheme; (2) the proposed adoption of rules of procedures for the Supervisory Committee of the Company; and (3) the authorisation to the board to fix the Directors' remuneration for the two years ended 31 December 2008.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### H-SHARE APPRECIATION RIGHTS SCHEME

The purpose of the Scheme is to provide long term incentive to the senior management of the Company and to promote the success of the business of the Group. The term of the Scheme will be six years, commencing upon Shareholders' approval of the Scheme.

The recipients of share appreciation rights will be entitled to exercise their rights in tranches during the Exercisable periods, subject to the fulfillment of certain conditions precedents relating to the performance of the Company including, for the financial years 2007 and 2008: (i) the average return on equity is not lower than 14%; and (ii) the average year-on-year increase in net profit of the Company being not lower than 10%. Due exercise of the share appreciation rights is also subject to the satisfactory review of the grantee's performance, and any exercise of the rights is also subject to the Company's audited return on equity for the financial year immediately prior to the proposed exercise being not lower than the average or the median of the industry.

The quantity of share appreciation rights to be granted will be calculated based on the internationally-recognised Black-Scholes model and the following formula:

$$\text{Number of share appreciation rights to be granted} = \frac{\text{Maximum monetary value of share appreciation rights to be granted as determined by the remuneration committee}}{\text{Value of the share appreciation rights calculated based on the Black-Scholes model}}$$

The Remuneration Committee considers that the above formula represents a fair basis for calculating the number of share appreciation rights to be granted.

The share appreciation rights are not transferable, nor are there any voting rights attached. The operation of the Scheme does not involve any issue of new Shares of the Company, and the exercise of any share appreciation rights will not create any dilution effect on the Company's shareholding structure. Upon the exercise of the share appreciation rights, a grantee will only be entitled to receive cash payments for the appreciation. The Scheme is not a scheme involving the grant of options over new securities of the Company. It therefore does not fall within the ambit of, and is not subject to, the regulation of Chapter 17 of the Listing Rules.

Under the Scheme, share appreciation rights will be granted to the Directors (not including independent non-executive Directors) and senior management staff of the Company. Eligibility will be linked to certain benchmarks of the individual employee's working performance and responsibilities in the Group.

It is estimated that the aggregate share appreciation rights to be granted during the first two years of the Scheme will be equivalent to approximately 6.386 million H Shares, representing approximately 0.1385% of the total issued share capital of the Company as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Under the Scheme, the grantees may not exercise their share appreciation rights in the 2 years following the approval of the Scheme by Shareholders, and may exercise their share appreciation rights by not more than 25% each year in the following four years. In each of the four years where grantees may exercise their rights, he or she is entitled to exercise the same only once during the relevant Exercisable period. In other words, the 25% cap is an annual cap during the relevant years on the extent that the share appreciation rights may be exercised under the Scheme. Any share appreciation rights not exercised will expire by the end of the Exercisable period by the 6<sup>th</sup> year. The cash payments as a result of the exercise of the share appreciation rights shall be deposited into a personal account of the relevant grantee. The quantity of the share appreciation rights exercisable during any relevant period may also be subject to deduction, based on the table set out below, and in any event the total annual payment under the Scheme pursuant to each exercise of the share appreciation rights shall not be more than 50% of the Total Annual Remuneration of the relevant grantee as at the time of the grant of those rights.

<b>Excess of the Exercise Price over the Granting Price of the share appreciation rights</b>	<b>Quantity exercisable as a percentage of the entitlement exercisable each year</b>
below HK\$1.115	100%
above HK\$1.115, and lower than HK\$1.50	50%
above HK\$1.50, and lower than HK\$2.00	30%
above HK\$2.00, and lower than HK\$2.50	20%
above HK\$2.50	15%

The Granting Price of the share appreciation rights is determined at the higher of:

1. the closing price as at the grant date of the share appreciation rights; and
2. the average closing price of the five trading days immediately preceding the date of grant of share appreciation rights.

The Scheme will be administered by the Remuneration Committee and when necessary, to engage professional parties to assist it in discharge of its duties. As a majority of the members of the Remuneration Committee are independent non-executive Directors, and the relevant Director and his/her associates are required to abstain from voting in the relevant meeting in which a grant of share appreciation rights to that particular Director is to be discussed, the Directors consider that connected persons will not be treated favourably under the Scheme.

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## LETTER FROM THE BOARD

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Initially, the Company proposes that share appreciation rights be granted to 9 people, comprising the Chairman, Executive Directors and members of the senior management staff, namely:

<u>Names of grantees</u>	<u>Positions of grantees</u>	<u>Number of share appreciation rights to be granted</u>
WU Mengfei	Chairman and Non-executive Director	1,053,000
YANG, Yexin	Executive Director and Chief Executive Officer and President	891,000
FANG, Yong	Executive Director and Executive Vice President	681,000
CHEN, Kai	Executive Director and Executive Vice President	681,000
ZHOU, Fan	Executive Vice President	454,000
QUAN, Changsheng	Vice President, Chief Financial Officer and Board Secretary	616,000
HONG, Junlian	Vice President	616,000
LIANG, Mingchu	Vice President	616,000
MIAO, Qian	Vice President	616,000

The Company recognizes the Scheme as a cash-settled share-based payment transaction.

The cost of cash-settled transactions is measured initially at fair value at the grant date using a Black-Scholes model. The share appreciation rights, together with a corresponding liability are recognized when the services are received during the period. Until the liability settled or the unexercised rights have lapsed, the fair value of the liability is remeasured using the Black-Scholes model at each balance sheet date up to and including the settlement date with any changes in fair value recognized in profit or loss for the period.

Where pursuant to any adjustment to the issued share capital of the Company, including any merger, spin-off, or the payment of dividend or for any other reason, an adjustment to the quantity of the share appreciation rights entitled and their Granting Price is necessary in the Board's opinion, such adjustment shall be made subject to obtaining Shareholders' approval.

The Scheme is subject to the PRC laws and regulations, and the rules and regulations promulgated by SASAC, including but not limited to the Interim Measures on the Implementation of Incentive Stock Scheme for State-owned Holding Companies Listed Overseas.

The Scheme was approved by SASAC on 3 December 2007 and shall take effect upon the approval by the Shareholders at the EGM.

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## LETTER FROM THE BOARD

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### **PROPOSED ADOPTION OF RULES OF PROCEDURES FOR SUPERVISORY COMMITTEE OF THE COMPANY**

The Company proposes to adopt the “Rules of Procedures for Supervisory Committee of the Company” so as to lay down procedural rules to regulate the proceedings of the Supervisory Committee of the Company. The PRC legal advisers to the Company confirm that the proposed “Rules of Procedures for Supervisory Committee of the Company” comply with the relevant PRC laws and regulations, which shall come into effect upon approval by Shareholders at the EGM.

### **AUTHORISATION TO THE BOARD TO FIX THE DIRECTORS’ REMUNERATION FOR THE TWO YEARS ENDED 31 DECEMBER 2008**

In accordance with Article 59 of the Articles of Association of the Company, the remuneration of the Directors is subject to the approval by the Shareholders of the Company. An ordinary resolution will be put forward at the EGM to seek Shareholders’ authorization to the Board (having due consideration of the recommendations of the remuneration committee of the Company) to fix the remuneration of the Directors for the two years ended 31 December 2008.

### **EGM**

A notice convening the EGM to be held at the Conference Room, 3rd Floor, CNOOC Office Building-B, No. 98 Guanhai Road, Longhua District, Haikou, Hainan Province, the People’s Republic of China on Monday, 25 February 2008 at 10:00 a.m. is set out on pages 15 to 16 of this circular.

Ordinary resolutions to approve the Scheme, the adoption of the Rules of Procedures for Supervisory Committee of the Company, and to authorise the Board (having due consideration of the recommendations of the Remuneration Committee of the Company) to fix the remuneration of the Directors of the Company will be tabled at the EGM.

In order to determine the Shareholders who are entitled to attend the EGM, the Company’s register of members will be closed from Saturday, 26 January 2008 to Monday, 25 February 2008, both days inclusive, during which period no transfer of Shares will be effected. Holders of H Shares whose names appear on the Company’s register of members before the close of business hours on Friday, 25 January 2008 are entitled to attend the meeting.

A reply slip and a form of proxy for use at the EGM are enclosed and are also published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon on or before Monday, 4 February 2008. Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the enclosed form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish.

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## LETTER FROM THE BOARD

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### PROCEDURES TO DEMAND POLL BY SHARHOLDERS

Pursuant to Article 78 of the Articles of Association of the Company, at any general meeting of shareholders a resolution shall be decided on a show of hands unless a poll is (before or after any vote by show of hands) demanded:

- (1) by the chairman of the meeting;
- (2) by at least 2 shareholders present in person or by proxy who are entitled to vote; or
- (3) by one or more shareholders present in person or by proxy and representing 10% or more of all shares carrying the right to vote at the meeting singly or in aggregate.

Unless a poll be so demanded, a declaration by the chairman that a resolution has been passed on a show of hands and a record of such in the minutes of the meeting shall be conclusive evidence of the fact that such resolution has been passed. There is no need to provide evidence on the number of proportion of the votes in favor of or against such resolution. The demand for a poll may be withdrawn by the person who makes such demand.

### RECOMMENDATION

The Directors believe that the proposals mentioned above are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

By Order of the Board  
**China BlueChemical Ltd.\***  
**Wu Mengfei**  
*Chairman*

\* For identification purpose only

The Rules and Procedures of the Supervisory Committee are written in Chinese. The English version set out in this Appendix I is an unofficial translation and is for reference only. In case of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

The Rules and Procedures of the Supervisory Committee are set out below:

**1. General Provisions**

- 1.1 The Procedural Rules have been formulated in accordance with provisions of the Company Law of the People's Republic of China (the "Company Law"), the Articles of Association of China BlueChemical Ltd (the "Articles") and other relevant laws and regulations, taking into account the operational and administrative characteristics of China BlueChemical Ltd (the "Company") to regulate the duties, scope of authority and procedural rules of the Supervisory Committee and Supervisors of the Company.
- 1.2 The Supervisory Committee and the Supervisors shall faithfully perform their supervisory duties in accordance with relevant provisions of the law, administrative regulations, regulatory documents and the Articles, with an aim to protect shareholders' interests.
- 1.3 The Supervisory Committee shall focus on financial supervision and safeguard the security of the Company's assets, exercising supervision over the performance of duties by Senior Management personnel of the Company such as the Board of Directors and its members and the CEO, President, Vice President(s), CFO and the Secretary to the Board (the "Senior Management") to prevent them from abusing their powers and infringing upon the lawful interests of the Company, its shareholders and its staff.
- 1.4 The Rules and Procedures shall be applicable to relevant duties of the Supervisory Committee of the Company.

**2. Composition of the Supervisory Committee**

- 2.1 The Supervisory Committee shall comprise three Supervisors, including 1 employee-representative supervisor, the election and dismissal of which shall be effected by way of democratic elections by the staff of the Company, and 2 external Supervisors (including 1 shareholder-representative supervisor and 1 independent supervisor) the election and dismissal of which shall be effected by way of elections at the general meeting.
- 2.2 The term of office for a supervisor shall be 3 years. Supervisors shall be eligible for re-election upon expiry of their respective term of office.
- 2.3 The Supervisory Committee shall have 1 Chairman who shall also serve as the convener, to be elected by two thirds or more of the Supervisors.

**3. Duties and Powers of the Supervisory Committee**

- 3.1 To inspect the accounting books and other accounting information of the Company, to check the financial conditions of the Company, to verify financial reports, business reports, profit distribution plans and other financial information proposed by the Board of Directors to be tabled at the general meeting and to engage, in the Company's name, certified public accountants to assist in reviewing such information in case of any doubt.
- 3.2 To supervise the Company's Directors and Senior Management in the discharge of their duties and to make proposals of dismissal of those in violation of laws, administrative regulations or the Articles.
- 3.3 To demand rectification in case of gross negligence or acts detrimental to the interests of the Company on the part of the Directors and Senior Management, reporting the same to the general meeting or regulatory authorities or making dismissal proposals where necessary.
- 3.4 To conduct investigations where irregularities in the Company's operations are identified, engaging professionals such as accountants or lawyers at the cost of the Company where necessary.
- 3.5 To propose the convening of extraordinary general meetings and to convene and preside over such meetings where the Board of Directors fails to perform the duty to convene the meeting in compliance with the Company Law and the Articles.
- 3.6 To table motions at the general meeting.
- 3.7 To attend board meetings and raise queries or give suggestions in respect of resolutions of the Board of Directors.
- 3.8 To initiate legal proceedings against the Directors and Senior Management pursuant to Article 152 of the Company Law.
- 3.9 Members of the Supervisory Committee may attend relevant meetings of the Company if required by their duty to carry out supervision and inspection.
- 3.10 To perform and exercise other duties and powers as provided under the laws, administrative regulations and the Articles or authorized by the general meeting.

**4. Regular meetings and interim meetings of the meeting of the Supervisory Committee**

- 4.1 Meetings of the Supervisory Committee shall be classified into regular meetings and interim meetings. The regular meetings of the Supervisory Committee shall be convened at least once every 6 months. An interim meeting of the Supervisory Committee shall be convened within 10 days after the occurrence of any of the following:
  - 4.1.1 any supervisor proposing to convene such meeting pursuant to paragraph 4.2 of the Procedural Rules;

- 4.1.2 resolutions violating the laws, regulations, rules, orders and requirements of regulatory authorities, the Articles, resolutions of the general meeting and other relevant resolutions being approved by the general meeting and the meeting of the Board of Directors;
  - 4.1.3 Directors or Senior Management committing misconduct that might cause serious harm to the interests of the Company or result in any material adverse impact on the market;
  - 4.1.4 A legal action is being brought against the Company, the Directors, Supervisors or Senior Management by the shareholders;
  - 4.1.5 The Company, the Directors, Supervisors or Senior Management being subject to punishment by the securities regulatory authorities or public censure by the Stock Exchange of Hong Kong Ltd. (“SEHK”);
  - 4.1.6 A request by the securities regulatory authorities or SEHK to convene the meeting.
- 4.2 Where an interim meeting is proposed by any Supervisor(s), a written proposal signed by such Supervisor(s) shall be submitted to the Chairman of the Supervisory Committee. The written proposal shall include:
- 4.2.1 Names of the proposing Supervisor(s);
  - 4.2.2 Reasons or objective grounds for the proposal;
  - 4.2.3 Time or duration, venue and method of meeting proposed;
  - 4.2.4 Definite and specific motions;
  - 4.2.5 Contact methods of the proposing Supervisor(s) and date of proposal.

The Chairman of the Supervisory Committee shall issue the notice for the interim meeting of the Supervisory Committee within 3 days after receipt of the supervisor’s written proposal.

## **5. Convening and Presiding of the Meeting**

- 5.1 The meeting of the Supervisory Committee shall be convened and presided over by the Chairman of the Supervisory Committee. In the event that the Chairman of the Supervisory Committee is incapable of performing or fails to perform his duties, a Supervisor jointly recommended by half or above of the Supervisors shall be appointed to convene and preside over the meeting.

**6. Notice of Meeting**

- 6.1 Written notices of regular or interim meetings of the Supervisory Committee shall be served to all Supervisors 5 days prior to the date of the meeting by courier, fax, express mail, registered mail, e-mail or other means. If the notice is not sent by direct delivery, Supervisors shall be contacted through telephone to confirm receipt of such notices.
- 6.2 The written notice for the meeting of the Supervisory Committee shall include: the date, venue and duration of the meeting, matters and agenda to be considered (motions), the convener and chairman of the meeting, the contact person and contact methods and the date of issue of the notice.

**7. Method of Convening a Meeting**

- 7.1 A meeting of Supervisory Committee shall in principle be held as a physical meeting.
- 7.2 The Supervisory Committee may adopt written resolutions in lieu of a physical meeting, provided that the draft resolution shall be delivered to each Supervisor by one of the following means: courier, postal mail, fax or e-mail. The resolution shall be deemed as a resolution of the Supervisory Committee without further physical meetings if the written resolution has been delivered to all Supervisors and then returned to the Chairman of the Supervisory Committee having been signed by the required quorum of Supervisors on one draft resolution or several draft resolutions which are identical in format and substance.

**8. Convening of Meetings**

- 8.1 A meeting of the Supervisory Committee shall only be convened with the presence of two-thirds or above of all Supervisors.
- 8.2 Supervisors shall attend meetings of the Supervisory Committee in person. If for any reason a supervisor is unable to attend the meeting, he shall by written authorization appoint another supervisor to act as his proxy to attend the meeting. A proxy form shall state the name of the proxy, the subject of the proxy, the scope of delegation and the period of validity, and shall be signed under the hand or seal of the appointer. A Supervisor acting as a proxy shall exercise the rights of Supervisors within the scope delegation.
- 8.3 A Supervisor who is absent from a meeting of the Supervisory Committee without appointing another Supervisor as his proxy to attend on his behalf shall be deemed waiving his voting rights at such meeting.
- 8.4 In the event of 2 consecutive absences of a Supervisor from meetings of the Supervisory Committee without appointing a proxy to attend on his behalf, he shall be deemed to be unable to perform his duties and the Supervisory Committee shall propose to the general meeting or employee representative assembly for the replacement of such Supervisor.

**9. Procedures for considering and approving resolutions**

- 9.1 The chairman of the meeting should remind Supervisors attending the meeting to express definite views on the motions.
- 9.2 Upon the proposal by any Supervisor(s), the chairman of the meeting should request the Directors, Senior Management, other staff of the Company or personnel of relevant intermediaries to attend the meeting to answer queries.

**10. Resolutions of the Supervisory Committee**

- 10.1 Each supervisor shall have one vote, to be exercised by way of a show of hands or by ballot.
- 10.2 Supervisors may vote to approve, oppose or abstain from a resolution. Supervisors attending a meeting shall vote in either one of the aforesaid manners. Where a Supervisor has not indicated his position or has indicated two or more positions, the chairman of the meeting should procure him to indicate his position again, failing which he shall be deemed as abstaining from the vote. A Supervisor who leaves in the middle of the meeting without indicating his voting position and does not return shall also be deemed as abstaining from the vote.
- 10.3 Matters on the agenda of a meeting of the Supervisory Committee shall in principle be voted upon one by one. Namely, a motion shall be voted upon after due examination. The next motion shall not be voted upon until voting in respect of the preceding motion is completed.
- 10.4 The approval of any resolutions and reports of the Supervisory Committee shall require an affirmative vote by two-thirds or above of all Supervisors. Where a Supervisor holds fundamentally different views on the said resolutions or reports, such views shall be stated in such resolutions or reports.

The convener of the Supervisory Committee shall announce the result of the approval of any resolutions and reports based on the voting results, which shall be recorded in the minutes of the meeting.

- 10.5 All Supervisors shall be entitled to speak at the meeting of the Supervisory Committee. Motions proposed by any Supervisor shall be considered by the Supervisory Committee.
- 10.6 Resolutions of the Supervisory Committee shall be made in accordance with paragraph 7.2 of the Procedural Rules.
- 10.7 All Supervisors shall sign on the resolutions of the Supervisory Committee and assume responsibility for the matter concerned, provided that a Supervisor may disclaim such responsibility if it is proved that he has expressed dissent on voting and such dissent has been recorded in the minutes of the meeting.

**11. Minutes of Meeting**

11.1 The convener (chairman) of a meeting of the Supervisory Committee shall arrange personnel to attend the meeting in person for taking minutes. Supervisors attending the meeting and the minutes-taker shall sign on the minutes. Supervisors shall have the right to require certain explanations in respect of his speech at the meeting to be recorded in the minutes.

11.2 Minutes of meeting shall include the following:

11.2.1 session order, time, venue and method of convening of the meeting;

11.2.2 issue of meeting notice;

11.2.3 convener and chairman of the meeting;

11.2.4 attendance of the meeting;

11.2.5 motions of the meeting, keynotes of each supervisor's speech on the subjects, major views and voting positions in respect of the motions;

11.2.6 voting methods and voting results for each motion (namely the number of votes for approval, objection and abstention);

11.2.7 other matters deemed necessary by the attending Supervisors to be recorded.

11.3 Minutes of the meetings of the Supervisory Committee, together with corresponding meeting notices and other documents for the meetings, shall be properly kept for the Company's files and maintained by the Secretary to the Board for a period of no less than 10 years.

**12. Implementation of resolutions**

12.1 The Supervisors shall procure relevant personnel to implement the resolutions of the Supervisory Committee.

12.2 The Chairman of the Supervisory Committee shall report on the implementation of approved resolutions at subsequent meetings of the Supervisory Committee.

**13. Supplemental Provisions**

13.1 The authority for the interpretation of the Procedural Rules shall be vested with the Supervisory Committee.

13.2 For matters not provided in the Procedural Rules, the Articles and provisions of other relevant laws, administrative regulations and regulatory documents shall apply.

13.3 In the Procedural Rules, the expressions of "or above" or "or more" shall include the figures immediately preceding such expressions in the text.

13.4 The Procedural Rules and any subsequent revisions shall be formulated by the Supervisory Committee and shall take effect upon approval by the general meeting.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“EGM”) of China BlueChemical Ltd. (the “Company”) will be held at 10:00 a.m. on Monday, 25 February 2008, at the Conference Room, 3rd Floor, CNOOC Office Building-B, No. 98 Guanhai Road, Longhua District, Haikou, Hainan Province, the People’s Republic of China to consider and approve the following resolutions. 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 11 January 2008:

### ORDINARY RESOLUTIONS

1. To approve the adoption of the H-Share Appreciation Rights Scheme (the “Scheme”) and the initial grant of the share appreciation rights under the Scheme;
2. To approve the “Rules of Procedures for the Supervisory Committee of the Company” and that the Supervisory Committee be authorized to make any necessary, appropriate and relevant adjustment to the “Rules of Procedures for the Supervisory Committee of the Company” in accordance with the mandatory requirements of the relevant laws, rules and regulations as updated from time to time, comments from the relevant regulatory authority and the actual circumstances; and
3. To authorize the Board to fix the Directors’ remuneration for the two years ended 31 December 2008.

#### Notes:

- (A) The Company’s registers of members will be closed from Saturday, 26 January 2008 to Monday, 25 February 2008, 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 before the close of business hours on Friday, 25 January 2008 are entitled to attend the EGM and to vote in the meeting.

In order to qualify to attend and vote in 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 4:00 p.m. on Friday, 25 January 2008.

The address of the H share registrar of the Company is:

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716  
17th Floor, Hopewell Centre  
183 Queen’s Road East  
Wanchai  
Hong Kong

\* For identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (B) 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 Office of the Secretary to the Board of Directors of the Company (for holders of domestic shares or unlisted foreign shares) or Computershare Hong Kong Investor Services Limited (for holders of H Shares) at least 20 days before the EGM, being 4 February 2008. The Company's Office of the Secretary to the Board of Directors of the Company is No. 98 Guanhai Road, Longhua District, Haikou, Hainan Province, the People's Republic of China (Tel: 0086-898-6852-3256, Fax: 0086-898-6852-3259, Post code: 570105). The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (C) 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.
- (D) The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorized 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 authorized attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
- (E) To be valid, the proxy form together with the power of attorney or other authorisation document (if any) must be deposited at the Office of the Secretary to the Board of Directors of the Company (Address: No. 98 Guanhai Road, Longhua District, Haikou, Hainan Province, the People's Republic of China) (in respect of holders of domestic shares or unlisted foreign shares) not less than 24 hours before the time fixed for holding the meeting. In order to be valid, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (F) Shareholders or their proxies 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.
- (G) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.

*As at the date of this notice, 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 Nonexecutive Directors are Mr. Wang Wenshan, Mr. Zhang Xinzhi, Mr. Wu Xiaohua and Mr. Tsui Yiu Wa, Alec.*