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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)

**CONTINUING CONNECTED TRANSACTIONS
IN FORM OF PURCHASES OF GOODS FROM
MINORITY PROMOTERS AND/OR THEIR ASSOCIATES**

The Group had started to purchase goods from the Minority Promoters and/or their respective Associates after listing from February 2007 onwards and will continue to do so in the future. The Purchase Transactions constitute continuing connected transactions for the Company and were conducted in the Group's usual and ordinary course of business and on arm's length and normal commercial terms.

The aggregate expenditure amount the Group incurred in the Purchase Transactions for the year 2007 was RMB10,390,549 which has exceeded the de minimis threshold of Rule 14A.33 of the Listing Rules. This transaction amount, however, has not exceeded 2.5% in respect of each applicable percentage ratios calculated under Rule 14.07 of the Listing Rules and the Purchase Transactions are exempted from independent shareholders' approval requirement.

The Company has applied for a waiver to exempt the Minority Promoters and their respective Associates from being regarded as connected persons for the purpose of the Listing Rules in relation to the Purchase Transactions, and therefore, exempt all such transactions from all the requirements of Chapter 14A of the Listing Rules regarding connected transactions. The Stock Exchange has granted such a waiver for Purchase Transactions entered into from 13 December 2007 onwards on certain conditions.

Background

The Group sells products and provide related services to each of the Minority Promoters and their respective Associates. Therefore, during the course of listing application, the Company has applied for, and the Stock Exchange has granted, a waiver under Rule 14A.42 of the Listing Rules to exempt the Minority Promoters and their Associates from being regarded as connected persons for the purpose of the Listing Rules in relation to such transactions and therefore exempt all such transactions from all the requirements of Chapter 14A of the Listing Rules regarding connected transactions, subject to certain conditions. However, the above-mentioned waiver applies only to sale of products and services by the Group to the Minority Promoters and their respective Associates.

Purchase Transactions

The Group had started to purchase goods from the Minority Promoters and/or their respective Associates (the “**Purchase Transactions**”) after listing from February 2007 onwards and will continue to do so in the future. The Purchase Transactions constitute continuing connected transactions for the Company and were conducted in the Group’s usual and ordinary course of business and on arm’s length and normal commercial terms.

The aggregate expenditure amount the Group incurred in the Purchase Transactions for the year 2007 was RMB10,390,549 which has exceeded the de minimis threshold of Rule 14A.33 of the Listing Rules. Pursuant to Rule 14A.34 of the Listing Rules, the Company makes this announcement to comply with its announcement requirement set out in Rule 14A.47 of the Listing Rules. It will also report the Purchase Transactions in its annual report for 2007. This transaction amount, however, has not exceeded 2.5% in respect of each applicable percentage ratios calculated under Rule 14.07 of the Listing Rules and the Purchase Transactions are exempted from independent shareholders’ approval requirement.

Connected persons

The Company has five promoters (i.e. initial shareholders) which are CNOOC and the four Minority Promoters. The Minority Promoters are connected persons of the Company and so are their respective Associates on a strict interpretation of Rule 14A.11(3) of the Listing Rules. However, each of the Minority Promoters just holds 0.54% shares in the issued share capital of the Company.

Stock Exchange’s waiver

The Company has applied for a waiver to exempt the Minority Promoters and their respective Associates from being regarded as connected persons for the purpose of the Listing Rules in relation to the Purchase Transactions, and therefore, exempt all such transactions from all the requirements of Chapter 14A of the Listing Rules regarding connected transactions. There were a number of reasons for the waiver application:

1. The Minority Promoters will have insignificant control and influence over the Company given the following circumstances:
 - (a) Small stake in the Company: Each Minority Promoter holds approximately 0.54% of the Company’s issued share capital immediately following the completion of the global offering (including a full exercise of the over-allotment option). Even if all Minority Promoters’ shareholdings are aggregated, their shareholding in the Company’s issued share capital is only approximately 2.17%.
 - (b) Independence: As far as the Company is aware, the Minority Promoters are independent of each other and also independent of the Company’s controlling shareholder, CNOOC.
 - (c) No influence on the board or supervisory committee of the Company and its subsidiaries: The Company has eight directors, four of whom were in fact (but not by right) proposed by CNOOC while the other four are independent non-executive directors. Further, no director and no supervisor of any of the Company’s subsidiaries

is in fact proposed by a Minority Promoter. Therefore, the Company believes that none of the Minority Promoters is, either individually or in collaboration with each other, in a position to influence or control the board or the supervisory committee of the Company or its subsidiaries.

- (d) No special rights as shareholders: The Minority Promoters do not have special rights as the Company's shareholders (other than those enjoyed by all shareholders), either contractual or statutory.
2. No level playing field: If the Company were not a PRC issuer, the Minority Promoters and their associates would not have been regarded as the Company's connected persons because under the Listing Rules, a shareholder of a non-PRC company which individually has less than 10% of the voting shares of that company would not be treated as a connected person. In the Company's case, the Minority Promoters and their associates fall under the definition of connected persons under the Listing Rules not because of their influence as substantial shareholders but merely due to the fact that the Listing Rules define each promoter of a PRC issuer and its associates as connected persons, regardless of the promoter's shareholding percentage in the PRC issuer.

The Stock Exchange has granted such a waiver for Purchase Transactions entered into from 13 December 2007 onwards, on the following conditions:

1. the Purchase Transactions will be entered into in the ordinary and usual course of the business of the Group and on normal commercial terms;
2. the Minority Promoters are not the substantial shareholders of the Company;
3. the Minority Promoters do not have special rights as the Company's shareholders (other than those enjoyed by all the shareholders), either contractual or statutory; and
4. each Minority Promoter has given an undertaking to the Company that it will not exercise its rights to appoint any representatives on the board or the supervisory committee of the Company or any of its subsidiaries and will not exert any influence over the Company and its subsidiaries through its role as a promoter of the Company.

Reasons for, and benefits of, the continuing connected transactions

The Group purchases goods from the Minority Promoters and/or their Associates in order to widen its network of procurement, as part of its operational requirements arisen from business development. Further, the Minority Promoters and/or their Associates are able to provide the goods at such prices and on such terms which the Group considers reasonable.

Opinion of the Directors

The Directors (including independent non-executive Directors) believe that the Purchase Transactions were entered into in the ordinary and usual course of business of the Group, 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. In implementing the transactions, the Company will fully consider the opinions of the independent non-executive Directors, as the Company has always in the past, in order to protect the interests of its shareholders as a whole.

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.

The Minority Promoters engage in various businesses which include production and sale of chemical 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
“CNOOC”	China National Offshore Oil Corporation (中國海洋石油總公司)
“Company”	China BlueChemical Ltd.
“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)
“Minority Promoters”	浙江農資集團有限公司 (Zhejiang AMP Incorporation*), 廣東省農業生產資料總公司 (Guangdong Agricultural Means of Production Corporation*), 上海市農業生產資料公司 (Shanghai Municipal Agricultural Means of Production Corporation*) and Transammonia Inc.
“Purchase Transactions”	has the meaning ascribed to it above
“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
31 January 2008

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