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(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 transactions amount for services and supplies provided by the Group to the CNOOC Group pursuant to the Comprehensive Services and Product Sales Agreement for the period from 1 January 2008 to 30 June 2008, it was noted that the aggregate revenue generated from such transactions during the Interim Period was approximately RMB3,140,000, representing approximately 95.2% of the Existing Annual Cap of RMB3,300,000. In light of the ongoing and continued development of the business of the Group and other factors set out below, the Company is of the view that the Existing Annual Cap is no longer sufficient for the year ending 31 December 2008 and would accordingly like to revise the same to RMB20,000,000.

As the revised annual cap does not exceed 2.5% in respect of each of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules, subsequent Category 8(b) Transactions will only be subject to reporting and announcement requirements, and are exempt from independent shareholders' approval requirements.

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 provide services and supplies to the CNOOC 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 Category 8(b) Transactions, the pricing principles (i) and (ii) as shown above are not applicable.

CONNECTED PERSONS

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 AND THE SETTING OF ANNUAL CAPS

As disclosed in the Prospectus, the Group's revenue on a pro-forma basis for Category 8(b) Transactions were approximately RMB549,000, RMB321,000 and RMB182,000 respectively for each of the three years ended 31 December 2003, 2004 and 2005, and approximately RMB390,000 for the three months ended 31 March 2006. Based on such historical transaction values, the projection of future transaction volumes and market prices and the Company's assumption that the PRC Government will not introduce prescribed or guidance prices for the services and supplies covered by the Comprehensive Services and Supplies Agreement, the Company's annual caps on revenue for the Category 8(b) Transactions were set at RMB4,400,000, RMB4,400,000 and RMB3,300,000 respectively for each of the three years ended 31 December 2006, 2007 and ending 31 December 2008.

REVENUE GENERATED FROM THE CATEGORY 8(B) TRANSACTIONS DURING THE INTERIM PERIOD

Upon consolidating the Category 8(b) Transactions amount for the Interim Period, it was noted that the aggregate revenue generated was approximately RMB3,140,000, representing approximately 95.2% of the Existing Annual Cap. The Directors are of the view that in light of, amongst other factors, the ongoing and continued development of the Group's business, the Existing Annual Cap is no longer sufficient for the year ending 31 December 2008.

REASONS FOR THE INCREASE IN REVENUE FROM CATEGORY 8(B) TRANSACTIONS

The significant increase in revenue from Category 8(b) Transactions was primarily due to the additional services offered and rendered by Hainan Basuo to the CNOOC Group, made possible as a result of continuous refinement to Hainan Basuo's management. Through better utilization of Hainan Basuo's personnel and management capabilities, Hainan Basuo was able to provide additional services to the CNOOC Group's coastal port operations. For the Interim Period, the aggregate revenue from services provided by Hainan Basuo to CNOOC Energy Technology was approximately RMB1,920,000.

The consideration for the Category 8(b) Transactions was determined with reference to market prices and payments were usually made by cash or its equivalent.

REVISED ANNUAL CAP FOR THE YEAR ENDING 31 DECEMBER 2008

In light of the increase in revenue generated from the Category 8(b) Transactions during the Interim Period, the Directors are of the view that the Existing Annual Cap is no longer sufficient for the year ending 31 December 2008. Accordingly, the Company would like to revise its Category 8(b) Transactions annual cap for the year ending 31 December 2008 to

RMB20,000,000, taking into account: (i) the historical value of such transactions; (ii) the estimated increased volume of services required by the CNOOC Group for the rest of the financial year; (iii) the possible increase in the general price level as a result of continuous economic development in the PRC; and (iv) the provision of buffer for the inherent volatility of business in the present global economical circumstances. The Directors of the Company (including the independent non-executive directors) consider that the revised annual cap is fair and reasonable, and in the interests of the Company and its shareholders as a whole.

REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTIONS

The providing of services and supplies by the Group to the CNOOC Group is in the ordinary course of the Group's business. Such transactions will continue to be made at market prices, and further enhancing the business of Hainan Basuo. As payments are made immediately by way of cash by CNOOC Energy Technology, the transactions will also help to provide sufficient cash flow which is beneficial to the Group and particularly Hainan Basuo.

OPINION OF THE DIRECTORS

The Directors (including independent non-executive Directors) believe that such transactions were entered into in the ordinary and usual courses 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 as 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 is expanding into the production of high value-added synthetic chemical products.

CNOOC is 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 Energy Technology is a wholly owned subsidiary of CNOOC, providing logistics services is one of its major businesses.

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
“Category 8(b) Transactions”	The services and supplies provided by the Group to the CNOOC Group pursuant to the Comprehensive Services and Product Sales Agreement
“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
“CNOOC Group”	CNOOC and its Associates
“CNOOC Energy Technology”	CNOOC Energy Technology & Services Limited, wholly owned subsidiary of CNOOC.
“Director”	a director of the Company
“Existing Annual Cap”	the existing annual cap in relation to the Category 8(b) Transactions in the amount of RMB3,300,000
“Group”	the Company and its subsidiaries and jointly controlled entities from time to time
“Hainan Basuo”	Hainan Basuo Port Limited, of which the Company holds 72.5% of its registered share capital
“Interim Period”	the period from 1 January 2008 to 30 June 2008
“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.
Quan Changsheng
Company Secretary

Haikou, the PRC

20 August 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*