

**I. FURTHER INFORMATION ABOUT THE COMPANY****1. The Company**

China BlueChemical Ltd. was established in the PRC as a joint stock limited company on 25 April 2006 by CNOOC, Guangdong AMP, Zhejiang AMP, Shanghai AMP and Transammonia as the Promoters in accordance with the Company Law. Our Company obtained a business licence (Registration No. Qi Gu Qiong Zong Zi 010070) issued by the Hainan Administration for Industry and Commerce of the PRC on 25 April 2006, established a place of business in Hong Kong at 65/F, Bank of China Tower, No. 1 Garden Road, Central, Hong Kong and registered with the Hong Kong Companies Registry as an oversea company in Hong Kong under Part XI of the Companies Ordinance on 25 July 2006. Zhong Yingxin of 65/F Bank of China Tower, No. 1 Garden Road, Central, Hong Kong has been appointed as our agent for the acceptance of service of process in Hong Kong.

**2. Changes in the share capital of our Company**

At the time of our establishment as a joint stock limited company, the initial registered share capital of our Company was RMB3,000,000,000 divided into 2,974,999,878 Domestic Shares and 25,000,122 Unlisted Foreign Shares, of nominal value of RMB1.00 each, all of which were credited as fully paid up.

Immediately after the Global Offering (assuming the Over-allotment Option is not exercised), the registered share capital of our Company will be RMB4,400,000,000 comprising 2,834,999,878 Domestic Shares, 25,000,122 Unlisted Foreign Shares and 1,540,000,000 H Shares, representing approximately 64.43%, 0.57% and 35% of the registered share capital of our Company respectively.

Save as disclosed herein, there has been no alteration in the share capital of our Company, and no redemption, repurchase or sale of any issued securities (as defined in paragraph 1 of Appendix 16 to the Hong Kong Listing Rules) of our Company since the date of our establishment as a joint stock limited company.

**3. Resolutions of the shareholders of our Company**

At an extraordinary general meetings of our Company held on 25 April 2006 and 25 May 2006, resolutions were passed by our shareholders pursuant to which, among other matters:

- (a) conditional upon approval by the relevant PRC authorities, the conversion of our Company into an “overseas subscription company” was approved;
- (b) conditional upon (i) the CSRC having approved the Global Offering, (ii) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our H Shares to be issued as mentioned in this Prospectus and (iii) the obligations of the Underwriters in the Underwriting Agreements becoming unconditional and not being terminated in accordance with their terms of otherwise, the listing of our H Shares on the Hong Kong Stock Exchange, the Global Offering and the granting of the Over-allotment Option were approved;
- (c) the Articles of Association were adopted and our Directors were authorized to amend the Articles of Association in accordance with the amendments required by the relevant PRC authorities, the Hong Kong Stock Exchange and the SFC;

- (d) our Directors were authorized to do any act and to sign any agreement, deed of document as they consider necessary or appropriate in connection with the Global Offering; and
- (e) a mandate was given to the Board to issue separately or concurrently H Shares and Domestic Shares within a period commencing on the Listing Date and expiring on the date which is 12 months after 25 April 2006, provided that the number of Shares to be issued shall not exceed 20% of the number of issued Shares of the respective class as at the Listing Date (which does not include the H Shares to be issued by us upon any exercise of the Over-allotment Option).

#### 4. Restructuring

The Restructuring principally referred to the restructuring of our Company to be a joint stock limited company from CNOOC Chemical which was a limited liability company established under the Company Law. Our Company has obtained the status of a Sino-foreign investment joint stock limited company under the relevant PRC law and will be subject to the PRC Sino-Foreign Joint Venture Law. Further information on the Restructuring is set out in the section headed “History, Restructuring and Corporate Structure—Restructuring”. The Restructuring involved the following procedures and approvals:

- On 13 February 2006, CNOOC issued a notice (the “CNOOC Notice”) directing (a) CNOOC Nanhai West Corporation, a subsidiary of CNOOC, to transfer to us a 40% equity interest in Hainan CNOOC Transportation and a 30.23% equity interest in Hainan CNOOC Plastic Company Limited and (b) CNOOC Oil Base Group Limited, another subsidiary of CNOOC, to transfer to us a 60% equity interest in CNOOC (Hainan) E&P Gas Limited, by way of allocation at no consideration.
- Under the CNOOC Notice, we were directed to transfer to CNOOC Investment Holding Co., Ltd., a subsidiary of CNOOC, by way of allocation at no consideration (a) a 60% equity interest in Haiwan Fudao Hotel, a 9.21% equity interest in Sanya Resort Co., Ltd. and an 84% equity interest in Hainan CNOOC Agriculture Co., Ltd.
- In February 2006, we entered into share transfer agreements with the relevant parties to effect the transfers set out in the CNOOC Notice. As at the Latest Practicable Date, the transfers of 60% equity interest in Haiwan Fudao Hotel, 9.21% equity interest in Sanya Resort Co., Ltd. and 84% equity interest in Hainan CNOOC Agriculture Co., Ltd. by us had not been completed.
- On 22 February 2006, SASAC issued an approval (Guo Zi Gai Ge [2006] No. 173) approving in principle the restructuring of CNOOC Chemical for the purpose of listing outside China.
- On 28 February 2006, we acquired 30% equity interest in Hainan CNOOC Complex Fertilizer Co., Ltd. for RMB2,362,500 from Hainan Agricultural Means of Production Group Limited pursuant to a share transfer agreement dated 28 February 2006 and 34.95% equity interest for RMB2,752,050 from our employees.
- On 18 March 2006, the Promoters entered into a promoters’ agreement for the establishment of our Company.
- On 13 April 2006, SASAC issued an approval (Guo Zi Chan Quan [2006] No. 406) concerning the management of State-owned equity interest in us held through CNOOC.

- On 24 April 2006, CNOOC Chemical and Hainan Basuo entered into a share transfer agreement in respect of the transfer by CNOOC Chemical to Hainan Basuo the 90% equity interest in Hainan CNOOC Transportation. Part of the consideration for such transfer was applied as CNOOC Chemical's contribution to the increase in the registered share capital of Hainan Basuo.
- On 24 April 2006, SASAC issued an approval (Guo Zi Gai Ge [2006] No. 462) approving our restructuring as a joint stock limited company.
- On 25 April 2006, a new business licence (Registration No. Qi Gu Qiong Zong Zi 010070) issued by the Hainan Administration for Industry and Commerce of the PRC and our Company was formally restructured as a joint stock limited company.
- On 28 April 2006, MOFCOM issued an approval (No. Shang Zi Pi [2006] No. 1134) approving our restructuring as a joint stock limited company.
- On 28 April 2006, CNOOC Fudao Co., Limited was restructured from a joint stock limited company as CNOOC Fudao, a limited liability company under the PRC law.
- On 28 April 2006, SASAC issued an approval (Guo Zi Chan Quan [2006] No. 485) approving the transfer of Shares by CNOOC to NSSF according to the policy of the PRC on reduction of State-owned shares.
- On 29 April 2006, NSSF issued an approval (She Bao Ji Jin Gu [2006] No.7) in relation to the transfer of Shares by CNOOC to NSSF.
- On 29 April 2006, SASAC issued an approval (Guo Zi Gai Ge [2006] No. 490) approving the conversion of our Company into an "overseas subscription company".
- On 13 July 2006, CSRC issued an approval with regard to the issue of H Shares and the listing of our H Shares on the Hong Kong Stock Exchange.

## 5. Our subsidiaries

Our principal subsidiaries (for the purpose of the Hong Kong Listing Rules) as at 31 December 2005 include (a) those set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus, and (b) CNOOC Jiantao which is treated as a jointly-controlled entity under IFRS as reported in the Accountants' Report. Upon completion of the Acquisition on 7 March 2006, Tianye Chemical also became one of our subsidiaries.

The following alterations in the share capital of our subsidiaries (for the purpose of the Hong Kong Listing Rules) have taken place within the two years preceding the date of this Prospectus:

- (a) In April 2004, the then shareholders of Tianye Chemical resolved to increase Tianye Chemical's registered capital from RMB1,958,416,200 to RMB1,981,689,898 and such increase was confirmed by a capital verification report dated 31 December 2005. The registered capital of Tianye Chemical shown on Tianye Chemical's current business licence is RMB1,981,689,900.
- (b) On 8 November 2004, CNOOC (Hainan) E&P Gas Limited was established under the PRC law and its registered share capital is RMB6,900,000.
- (c) On 25 April 2005, Hainan Basuo was established under the PRC law and its registered share capital was RMB419,596,400. On 28 February 2006, CNOOC Chemical and Hainan

Development entered into an agreement pursuant to which, among other things, the parties agreed to increase the registered capital of Hainan Basuo by RMB98,760,000, out of which we are required to contribute RMB71,600,000 (RMB60,000,000 by cash and the remaining by way of our equity interests in Hainan CNOOC Transportation). Such increase had been effected.

- (d) In July 2005, Hainan CNOOC Plastic Company Limited increased its share capital from RMB7,716,000 to RMB12,716,000 after its merger with Hainan Dongfang Fuchun Plastic Products Limited.
- (e) On 28 April 2006, CNOOC Fudao was restructured from a joint stock limited company to be a limited liability company under the PRC law and its registered share capital is RMB463,000,000.

Save as disclosed in this Prospectus, there has been no alteration in the share capital of any of our subsidiaries and no redemption, repurchase or sale of any issued securities (as defined in paragraph 1 of Appendix 16 to the Hong Kong Listing Rules) of our subsidiaries within the two years preceding the date of this Prospectus.

## 6. Summary of our Sino-foreign joint venture arrangement

Further information on CNOOC Jiantao, which was established as a Sino-foreign joint venture company under the PRC Sino-Foreign Joint Venture Law and relevant regulations, is set out below:

Equity interest of joint venture partners:	Our Company (60%) and Hong Kong Kingboard (40%)
Term of joint venture:	31 October 2003 to 30 October 2023
Date of establishment:	31 October 2003
Total investment amount:	RMB1,476,950,000
Registered share capital:	RMB500,000,000

All transfers or increase of registered share capital in CNOOC Jiantao are subject to pre-emptive rights of the joint venture partners as set out in the joint venture contract and the articles of association of CNOOC Jiantao. The entitlements of joint venture partners in profits, dividends and other distributions of CNOOC Jiantao are in the proportion to their capital contribution ratio. Our Company and Hong Kong Kingboard have the rights to nominate 4 and 3 directors respectively to the board of CNOOC Jiantao under the joint venture contract and the articles of association of CNOOC Jiantao.

## II. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts, considered material and not being contracts entered into in the ordinary course of business, have been entered into by us within the two years preceding the date of this Prospectus:

- (a) an agreement dated 16 April 2005 entered into between CNOOC Chemical, the Government of Hainan and State-owned Assets Supervision and Administration Commission of Hainan in relation to the establishment of Hainan Basuo pursuant to which

CNOOC Chemical and the State-owned Assets Supervision and Administration Commission of Hainan shall contribute RMB304.2 million and RMB115.4 million respectively to the registered share capital of Hainan Basuo;



- (b) a share transfer agreement dated 30 November 2005 entered into between CNOOC Chemical and State-owned Assets Supervision and Administration Commission of Inner Mongolia Autonomous Region People's Government pursuant to which State-owned Assets Supervision and Administration Commission of Inner Mongolia Autonomous Region People's Government agreed to transfer 19.0823% equity interest in Tianye Chemical to CNOOC Chemical for no consideration and State-owned Assets Supervision and Administration Commission of Inner Mongolia Autonomous Region People's Government has the right to retain 10% equity interest in Tianye Chemical after the Acquisition;
- (c) a share transfer agreement dated 30 November 2005 entered into between CNOOC Chemical and China Haohua Chemical Industry (Group) Corporation pursuant to which China Haohua Chemical Industry (Group) Corporation agreed to transfer 2.1606% equity interest in Tianye Chemical to CNOOC Chemical for a consideration of RMB25,689,976.39;
- (d) a share transfer agreement dated 29 December 2005 entered into between CNOOC Chemical and China Cinda Assets Management Corporation pursuant to which China Cinda Assets Management Corporation agreed to transfer 74.7342% equity interest in Tianye Chemical to CNOOC Chemical for a consideration of RMB891,117,700;
- (e) a share transfer agreement dated 29 December 2005 entered into between CNOOC Chemical and Guotou Assets Management Corporation pursuant to which Guotou Assets Management Corporation agreed to transfer 4.0299% equity interest in Tianye Chemical to CNOOC Chemical for a consideration of RMB47,832,818.78;
- (f) the share transfer agreement dated 18 February 2006 entered into between CNOOC Chemical and CNOOC Investment Holding Co., Ltd. pursuant to which CNOOC Chemical agreed to transfer the interest in the contribution of RMB25.2 million in the registered capital of Haiwan Fudao Hotel to CNOOC Investment Holding Co., Ltd. for no consideration;
- (g) the share transfer agreement dated 20 February 2006 entered into between CNOOC Chemical and CNOOC Nanhai West Corporation pursuant to which CNOOC Nanhai West Corporation agreed to transfer 30.23% equity interest in Hainan CNOOC Plastic Company Limited to CNOOC Chemical for no consideration;
- (h) the share transfer agreement dated 20 February 2006 entered into between CNOOC Chemical and CNOOC Nanhai West Corporation pursuant to which CNOOC Nanhai West Corporation agreed to transfer 40% equity interest in Hainan CNOOC Transportation to CNOOC Chemical for no consideration;
- (i) the share transfer agreement dated 20 February 2006 entered into between CNOOC Chemical and CNOOC Oil Base Group Limited pursuant to which CNOOC Oil Base Group Limited agreed to transfer 60% equity interest in CNOOC (Hainan) E&P Gas Limited to CNOOC Chemical for no consideration;

- (j) the share transfer agreement dated 20 February 2006 entered into between CNOOC Chemical and CNOOC Investment Holding Co., Ltd. pursuant to which CNOOC Chemical agreed to transfer 84% equity interest in Hainan CNOOC Agriculture Co., Ltd. to CNOOC Investment Holding Co., Ltd. for no consideration;
- (k) the share transfer agreement dated 23 February 2006 entered into between CNOOC Chemical and CNOOC Investment Holding Co., Ltd. pursuant to which CNOOC Chemical agreed to transfer 9.21% equity interest in Sanya Resort Co., Ltd. to CNOOC Investment Holding Co., Ltd. for no consideration;
- (l) an agreement dated 28 February 2006 entered into between CNOOC Chemical and Hainan Development pursuant to which (1) the parties agreed to increase the registered capital of Hainan Basuo by RMB98,760,000 (out of which CNOOC Chemical was required to contribute RMB71,600,000) and (2) Hainan Development was given a put option to require CNOOC Chemical to acquire equity interest it holds in Hainan Basuo at a fair price within an agreed time period provided that its equity interest in Hainan Basuo after such acquisition shall not be less than 5%;
- (m) the share transfer agreement dated 28 February 2006 entered into between CNOOC Chemical and Hainan Agricultural Means of Production Group Limited pursuant to which Hainan Agricultural Means of Production Group Limited agreed to transfer to CNOOC Chemical 30% equity interest in Hainan CNOOC Complex Fertilizer Co., Ltd. for a total consideration of RMB2,362,500;
- (n) four tripartite loan transfer agreements dated 28 February 2006 entered into between Tianye Chemical with the Export-Import Bank of China and the Inner Mongolia Finance Bureau, under which Tianye Chemical transferred its interest-bearing bank loans denominated in Japanese Yen borrowed from the Export-Import Bank of China, together with the penalty interest and late fee payables therefore due to the late repayment of such bank loans, to the Inner Mongolia Finance Bureau;
- (o) the share transfer agreement dated 24 April 2006 entered into between CNOOC Chemical and Hainan Basuo, pursuant to which CNOOC Chemical agreed to transfer to Hainan Basuo 90% equity interest in Hainan CNOOC Transportation for a total consideration of RMB14,300,539.23, out of which RMB11,600,000 was applied as CNOOC Chemical's contribution to the increase in the registered share capital of Hainan Basuo and the remaining amount was to be paid in cash by Hainan Basuo to CNOOC Chemical;
- (p) a non-competition agreement dated 7 September 2006 entered into between our Company and CNOOC pursuant to which CNOOC gave certain undertakings not to compete with our core business, further details of which are set out in "Relationship with CNOOC—Non-Competition Agreement";
- (q) an indemnity agreement dated 1 September 2006 entered into between our Company and CNOOC pursuant to which CNOOC agreed to indemnify us against our direct economic losses arising from (i) compensation payable by us to third parties in connection with environmental pollution resulting from our production operation before the Listing Date; (ii) certain taxation payable by us in respect of non-compliance with tax laws and regulations, action or omission, income or profits before the Listing Date; and (iii) any misappropriation of our money placed with CNOOC Finance or any breach of CNOOC Finance's obligations in providing financial services to us, further details of which are set out in "Connected Transactions—Indemnity Agreement";

- (r) a financial services framework agreement dated 1 September 2006 entered into between our Company and CNOOC Finance regarding provision by CNOOC Finance of financial services to us, further details of which are set out in “Connected Transactions—Financial Services Agreement”; and
- (s) the Hong Kong Underwriting Agreement, details of which are set out in “Underwriting—Underwriting Arrangements and Expenses”.




## 2. Intellectual property rights

As at the Latest Practicable Date, we had registered or had applied for registration of the following trademarks:

Trademark	Place of registration/ application for registration	Class	Registration number/ Application number	Valid period	Registered owner/ Applicant
1. 	PRC	Class 1 <sup>(1)</sup>	Registration number 3399299	28 September 2004 to 27 September 2014	CNOOC Fudao
2. 	PRC	Class 1 <sup>(2)</sup>	Registration number 1099854	14 September 1997 to 13 September 2007	Tianye Chemical
3. 天野	PRC	Class 1 <sup>(2)</sup>	Registration number 1099391	14 September 1997 to 13 September 2007	Tianye Chemical
4. 天野	PRC	Class 1 <sup>(3)</sup>	Application number 4411905	Not applicable	Tianye Chemical

- (1) This class relates to nitrogenous mineral fertilizer, fertilizer, complex fertilizer, humus top dressing, mineral fertilizer, plant fertilizer, animal fertilizer, formaldehyde for chemical use, distilled methanol, anhydrous ammonia, dry ice (carbon dioxide) and slag (fertilizer).
- (2) This class relates to urea.
- (3) This class relates to acetic acid and ethylene.

As at the Latest Practicable Date, we have obtained a licence from CNOOC to use the following trademarks, for which CNOOC has applied for registration, under the trademarks licence agreement referred to in “Connected transactions—CNOOC Trademarks Licence Agreement”:

Trademark	Place of application for registration	Class	Application number	Applicant
1. 	PRC	Class 1 <sup>(1)</sup>	Application number 4193211	CNOOC
2.  中国海洋石油	PRC	Class 1 <sup>(1)</sup>	Application number 4203655	CNOOC
3.  中国海油	PRC	Class 1 <sup>(1)</sup>	Application number 4203661	CNOOC

- (1) This class relates to chemical products for industrial applications, scientific research, photography, agriculture, landscape and forestry, unprocessed artificial synthetic resin, unprocessed plastics substance, fertilizers, charcoal compound, quenching and metal welding agent, chemicals used for food preservation, tannery materials and industrial adhesives.

As at the Latest Practicable Date, the predecessor of CNOOC Fudao owned the following patent (the rights and benefits in which will be enjoyed by us upon completion of the registration procedures for registering CNOOC Fudao as the owner of the patent):

<u>Patent</u>	<u>Place of registration</u>	<u>Patent number</u>	<u>International patent category number</u>	<u>Certificate number</u>
Anti-agglomerate chemical technology for urea . . . . .	PRC	ZL 00 1 22834.X	C05C 9/02	163014

As at the Latest Practicable Date, we have obtained non-exclusive licenses to use certain technology as set out in “Our business—Intellectual properties”.

As at the Latest Practicable Date, we were the registered proprietor of the following material domain names:

<u>Domain name</u>	<u>Date of registration</u>
bluech.com . . . . .	5 June 2006
bluech.com.cn . . . . .	6 June 2006
bluech.cn . . . . .	7 June 2006
bluech.net . . . . .	6 June 2006
bluechemical.com.cn . . . . .	7 June 2006
bluechemical.cn . . . . .	7 June 2006
bluechemical.net . . . . .	6 June 2006
chinabluechemical.cn . . . . .	20 June 2006
chinabluechemical.com . . . . .	6 June 2006
chinabluechemical.com.cn . . . . .	20 June 2006
chinabluechemical.net . . . . .	20 June 2006
chinabluechem.com.cn . . . . .	12 June 2006
chinabluechem.cn . . . . .	12 June 2006
chinabluechem.net . . . . .	11 June 2006
cnoocc.com.cn . . . . .	21 March 2005

### III. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

#### 1. Directors’ and Supervisors’ interests and short positions in the share capital and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering, none of our Directors and Supervisors will have any interest or short position in the shares, underlying shares or debentures of us or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once our H Shares are listed on the Hong Kong Stock Exchange. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to our Supervisors.

## **2. Substantial Shareholders and persons who have an interest or short position disclosable under Divisions 2 and 3 of Part XV of the SFO**

Immediately following completion of the Global Offering, so far as our Directors are aware (and taking no account of H Shares which may be taken up pursuant to the Global Offering and H Shares which may be issued pursuant to the exercise of the Over-allotment Option), the persons who will have interests or short positions in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO once our H Shares are listed, or who will be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, are set out in the section headed “Substantial Shareholder” of this Prospectus.

Save as disclosed herein, but not taking into account any H Shares which may be taken up under the Global Offering, our Directors are not aware of any legal person or individual (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering, have any interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

## **3. Particulars of service agreements**

### ***Executive Directors and Supervisors***

Each of our executive Directors and Supervisors has entered into a service agreement with our Company. Principal particulars of these agreements are summarized below.

- (a) Each service agreement is for an initial term of three years commencing on 25 April 2006 (except the term of the service agreement for Mr. Wu Xiaohua which commenced on 3 July 2006 and will expire when a new batch of independent non-executive Directors are elected at a general shareholders’ meeting of our Company upon the expiry of office of the first batch of Directors). Each agreement is subject to termination by our Company in certain circumstances as stipulated in the relevant agreement.
- (b) Under the current arrangements, the aggregate remuneration payable to the Directors shall be approved by shareholder’s meeting from time to time. In addition, each of our executive Directors is entitled to social and welfare benefits provided under the relevant PRC laws and regulations.
- (c) Each of our Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary or management bonus payable to him.

## **4. Remuneration of Directors and Supervisors**

- (a) The aggregate amount of remuneration paid and benefits in kind granted to our Directors and our Supervisors in respect of the year ended 31 December 2005 was approximately RMB0.9 million and RMB0.3 million respectively.
- (b) Under the existing arrangements currently in force, the aggregate remuneration payable to and benefits-in-kind received by our Directors and Supervisors in respect of the year

ending 31 December 2006 are estimated to be approximately RMB1.66 million and RMB0.19 million, respectively.

## **5. Connected transactions and related party transactions**

Details of the related party transactions are set out in the section of this Prospectus headed “Connected Transactions” and in the Accountants’ Reports, the text of which is set out in Appendices IA and IB to this Prospectus.

## **6. Disclaimers**

Save as disclosed in this Prospectus, as of the Latest Practicable Date:

- (a) so far as the Directors are aware, none of the Directors, Supervisors or the Chief Executive of our Company had, as of the Latest Practicable Date, any interest or short position in any shares, underlying shares or debentures of, our Company or any associated corporation (within the meaning of Part XV of the SFO) which would be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which would be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Hong Kong Listing Rules, in each case once our H Shares are listed on the Hong Kong Stock Exchange. (For this purpose, the relevant provisions of the SFO applicable to the Directors are interpreted as if they also applied to the Supervisors);
- (b) none of the Directors or Supervisors nor any of the persons whose names are listed in the paragraph headed “Consent of experts” under the section headed “Other Information” in this Appendix:
  - (i) is interested in the promotion of our Company, or in any assets which have within the two years immediately preceding the issue of this Prospectus been acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries; or
  - (ii) is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to our business;
- (c) none of the persons whose names are listed in the paragraph headed “Consents of experts” under the section headed “Other Information” in this Appendix has any shareholding in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries;
- (d) none of the Directors or Supervisors has entered or has proposed to enter into any service agreements with our Company or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

- (e) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this Prospectus to the Promoters of our Company, nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related party transaction as mentioned in this Prospectus.

#### IV. OTHER INFORMATION

##### 1. Estate Duty and tax

Our Directors have been advised that no material liability for estate duty under the laws of the PRC, or Hong Kong, would be likely to fall upon us.

CNOOC, our Controlling Shareholder, has agreed to indemnify us against our direct economic losses arising from certain taxation payable by us in respect of non-compliance with tax laws and regulations, action or omission, income or profits before the Listing Date, further details of which are set out in “Connected Transactions—Indemnity Agreement”.

##### 2. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for listing of, and permission to deal in, our H Shares to be issued as mentioned herein, including any H Shares falling to be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

##### 3. Expenses

Our preliminary expenses of our Company are approximately RMB5,500,000 and are payable by the Company.

##### 4. Qualification of experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
JPMorgan (Asia Pacific) .....	Licensed to conduct type 1 (dealing in securities), type 4 (advising in securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities under the Securities and Futures Ordinance
UBS .....	Licensed to conduct type 1 (dealing in securities), type 4 (advising in securities), type 6 (advising on corporate finance), type 7 (providing automated trading service) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance
Ernst & Young .....	Certified public accountants
Sallmanns (Far East) Limited .....	Property valuers
Jun He Law Offices .....	PRC legal advisers

## **5. Consents of experts**

Each of the Joint Sponsors, Ernst & Young, Sallmanns (Far East) Limited, and Jun He Law Offices have given and have not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

## **6. Litigation**

In December 2004, Tianye Chemical entered into an agreement with Aukang Petrochemical Equipment Mfg. Co., Ltd. (湖北省洪湖市奧康石化設備製造有限公司) (“Aukang”) pursuant to which Tianye Chemical agreed to purchase aluminum ammonium materials from Aukang, the seller. The contract price was RMB4.7 million. When Tianye Chemical paid RMB2.8 million, however, Aukang refused to deliver the goods. Instead, Aukang raised the contract price by another RMB1.8 million, and threatened to cancel the contract unless Tianye Chemical paid this additional amount. After unsuccessful negotiations, Tianye Chemical filed a claim against Aukang in the Intermediate People’s Court of Huhhot, requesting (i) rescission of the contract, (ii) recovery of the amount already paid by Tianye Chemical, (iii) damages for breach of contract in the amount of RMB0.9 million, and (iv) the payment of litigation costs. Aukang subsequently filed a separate claim against Tianye Chemical in the People’s Court of Honghu City in Hubei Province for breach of contract, requesting (i) an increase of RMB1.8 million to the contract price, (ii) payment of RMB1.9 million as consideration for processed products, and (iii) payment of litigation costs.

As of the Latest Practicable Date, the disputes were pending the decision of the Supreme People’s Court as to the proper jurisdiction to handle the disputes. We believe that the results of these proceedings will not adversely affect our or Tianye Chemical’s operations or financial condition.

Except for the foregoing proceedings, as of the Latest Practicable Date, neither we nor any of our subsidiaries were involved in any litigation, arbitration or administrative proceedings that could have a material adverse effect on our financial condition, or results of operations, taken as a whole. So far as we are aware, as of the Latest Practicable Date, no such material litigation, arbitration or administrative proceedings are threatened.

## **7. Binding Effect**

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

## **8. Corporate Governance**

As our H Shares have not yet been listed on the Hong Kong Stock Exchange, the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Hong Kong Listing Rules is not applicable to us before listing. However, we have reviewed our corporate governance practices and are taking steps to meet all the code provisions in the Code upon listing.

Although our H Shares have not yet been listed on the Hong Kong Stock Exchange, we will adopt the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules upon listing as our own code governing securities transactions of our Directors.

## **9. Miscellaneous**

Save as disclosed in this Prospectus:

- (a) within the two years preceding the date of this Prospectus, we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) within the two years immediately preceding the date of this Prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries; and
- (e) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months.

## **10. Bilingual Prospectus**

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).