

A new star in fertilizer market in China



China BlueChemical Ltd. ("China BlueChem", or "the Company" HKSE stock code: 3983) is one of China's largest and most efficient nitrogenous fertilizer producers and the only company in the China National Offshore Oil Corporation (CNOOC) family that engages in the production of nitrogenous fertilizers and methanol.

It was listed on the Main Board of the Stock Exchange of Hong Kong on 29th September 2006. At the excellent marketing efforts of China BlueChem, its shares for international placing and public offer were many times subscribed with the latter especially 478 times subscribed freezing funds totaling HK\$12.7 billion.

China BlueChem sees the listing as a milestone in its strive for success and to become a leading chemical fertilizer and agricultural related service provider in China. China BlueChem's Executive Director, CEO and President, Mr. Yang Yexin, said, "The strong responses from investors to the listing are proof of the bright prospects of the chemical fertilizer and chemical industries in China as well as their confidence in our corporate strategy."

Production amenities in mainland

China BlueChem's production facilities are located in Hainan and Inner Mongolia. The Company operates five sets of large-scale production facilities in Hainan and Inner Mongolia, and has secured long-term natural gas supply for its Hainan Plant. With a total designed annual production capacity of 1,840,000 tonnes of urea and 800,000 tonnes of methanol, it is among leaders of the nitrogenous fertilizer and methanol industries in China. Both Phase I and II of

its Fudao Plant in Hainan produce mainly large granule urea and compound fertilizers. Equipped with world-class production technology and manufacturing provisions, Phase II of the facility boasts the largest urea output in the country. Employing anti-agglomerate chemical technology, the Company's products enjoy tremendous popularity among customers across 20 provinces in China and in overseas markets including Southeast Asia, Australia, New Zealand and the US, etc.

Joining CNOOC in 1978 and entrusted with strategic planning for China BlueChem in 2003, Mr. Yang has propelled the Company into a rapid growth stage. It is his precise strategies that have helped the Company realize stable and healthy development. "China BlueChem will continue to grow its business through organic expansion as well as selective acquisitions." Mr. Yang made that firm comment after the Company finished expanding the Hainan Plant and acquired another plant in Inner Mongolia.

Essence of success

In fact, Mr. Yang's management philosophy has accelerated China BlueChem's evolvement into the leading giant in the mineral fertilizer industry. "A mineral fertilizer enterprise has more to bear than its own business responsibilities. It has also social and environmental



Mr. Yang Yexin, Executive Director, CEO and President of China BlueChemical Ltd

responsibilities in the course of delivering good returns to shareholders and investors," said Mr. Yang. In addition to growing its own business, the Company has also been active in aiding the consolidation of chemical fertilizer industry as well as the modernization of agricultural industry in China.

Mr. Yang believes improving the cost effectiveness of growing wheat and other cash crops is the key to helping rural communities, farmers and the agricultural industry. "Selling chemical fertilizers will



only bring us short-term benefits. It is only when an agricultural related enterprise firmly plants its roots in the farming community that it can achieve long-term stable and healthy development," he said with conviction.

Overriding commitment to future

China BlueChem's future is brightly braced by the growing demand for quality food in China. The market is simmering with more opportunities with the Government proclaiming its support to the development of fertilizer industry and introducing favorable measures such as VAT exemption for players.

In its bid to diversify from manufacturing merely chemical fertilizers to also methanol, China BlueChem has chosen to partner with chemical industry giant Kingboard Chemical Holdings Limited (HKSE stock code: 148) to establish a strong foundation for tapping fully the chemical sector. The joint venture, CNOOC Kingboard Chemical Limited ("CNOOC Jiantao"), constructed one of China's largest methanol plants, with a designed annual methanol production capacity of 600,000 tonnes. The concerted effort of China BlueChem and its partner had seen the new plant completed trial - run smoothly and commenced mass production in 2006 ahead of schedule.

Mr. Yang said, "The CNOOC Jiantao

methanol plant is a concrete step made by China BlueChem in diversifying its products. Methanol has wide applications and as we continue to develop our downstream methanol products, we expect demand for them to grow both in China and Asia. With the Chinese Government pledging support to the methanol industry and expecting huge market demand in the future, we are confident that our methanol products will become another major income source of China BlueChem and is an important milestone in the Company's development.

Furthermore, China BlueChem is also planning to construct two advanced plants with respective designed annual production

capacity of 1,130,000 tonnes of methanol and 60,000 tonnes of polyoxymethylene. It will also focus on introducing high value-added synthetic chemical products to meet rising demand derived from their growing applications in diverse industries.

"Looking ahead, we aim to becoming a leading producer of mineral fertilizer and chemical products in China with our two-pronged growth strategy. Firstly, we will expand production capacity through organic expansion and extend product reach through enhancement of R&D efforts. Secondly, we will capitalize on the opportunities arising from the fragmented fertilizer industry in China," said a confident Mr. Yang.

