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(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3983)

## CONNECTED TRANSACTIONS IN RELATION TO THE CAPITAL INCREASE AGREEMENT OF FUDAO CHEMICAL

### INTRODUCTION

The Board is pleased to announce that, on 9 December 2022, CNOOC Fudao, Orient Petrochemical and Fudao Chemical entered into the Capital Increase Agreement, pursuant to which, the registered capital of Fudao Chemical will increase from RMB300 million to RMB720 million in proportion to the Existing Shareholders' respective shareholding in Fudao Chemical, comprising of (i) RMB214.2 million subscribed by CNOOC Fudao in cash and (ii) RMB205.8 million subscribed by Orient Petrochemical in cash and assets (for the part in assets, the "**Asset Injection**"). The shareholding in Fudao Chemical held by the Existing Shareholders will remain unchanged upon completion of the Capital Increase.

### LISTING RULES IMPLICATIONS

As of the date of this announcement, (i) CNOOC is the controlling shareholder of the Company, (ii) Orient Petrochemical is a wholly-owned subsidiary of CNOOC; (iii) CNOOC Fudao, a wholly-owned subsidiary of the Company, holds 51% equity interests in Fudao Chemical and Orient Petrochemical holds 49% equity interests in Fudao Chemical. Therefore, Orient Petrochemical is a connected person of the Company under Rule 14A.07 of the Listing Rules and Fudao Chemical is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules.

### Capital Increase by CNOOC Fudao

As Fudao Chemical is a connected subsidiary of the Company, the Capital Increase by CNOOC Fudao constitutes a connected transactions of the Company. Pursuant to the Listing Rules, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Capital Increase by CNOOC Fudao exceeds 0.1% but is less than 5%, the Capital Increase by CNOOC Fudao is subject to reporting, announcement requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **Capital Increase by Orient Petrochemical**

As Orient Petrochemical is a connected person of the Company, the Capital Increase by Orient Petrochemical also constitutes a connected transaction of the Company. However, as the amount of the Capital Increase to be subscribed by CNOOC Fudao and Orient Petrochemical, respectively, is in proportion to their respective shareholding in Fudao Chemical, the Capital Increase by Orient Petrochemical is fully exempt pursuant to Rule 14A.92 of the Listing Rules.

However, as part of the increased registered capital to be subscribed by Orient Petrochemical is proposed to be in assets, such Asset Injection is deemed as an acquisition of assets by the Group from a connected person, which is also a connected transaction of the Group. Calculated based on the book value of the assets proposed to be injected under the Asset Injection, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Asset Injection exceeds 0.1% but is less than 5%, the Asset Injection is subject to reporting, announcement requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will make further announcement(s) when the consideration of the Asset Injection and the cash consideration to be paid by Orient Petrochemical are finalized.

## **I. INTRODUCTION**

The Board is pleased to announce that, on 9 December 2022, CNOOC Fudao, Orient Petrochemical and Fudao Chemical entered into the Capital Increase Agreement, pursuant to which, the registered capital of Fudao Chemical will increase from RMB300 million to RMB720 million in proportion to the Existing Shareholders' respective shareholding in Fudao Chemical, comprising of (i) RMB214.2 million subscribed by CNOOC Fudao in cash and (ii) RMB205.8 million subscribed by Orient Petrochemical in cash and assets. The shareholding in Fudao Chemical held by the Existing Shareholders will remain unchanged upon completion of the Capital Increase.

## **II. PRINCIPAL TERMS OF THE CAPITAL INCREASE AGREEMENT**

**Date** : 9 December 2022

**Parties** : CNOOC Fudao;

Orient Petrochemical; and

Fudao Chemical (as the Target Company)

**Capital Increase** : Pursuant to the Capital Increase Agreement, the registered capital of the Target Company will increase from RMB300 million to RMB720 million, which comprises

- (i) RMB214.2 million agreed to be subscribed by CNOOC Fudao in cash; and
- (ii) RMB205.8 million agreed to be subscribed by Orient Petrochemical in cash and assets.

Such amount of the Capital Increase of RMB420 million is determined based on the capital requirements for Fudao Chemical's daily operation and acrylonitrile project development and after arm's length negotiations among all parties to the Capital Increase Agreement.

The amount of the Capital Increase to be subscribed by the Existing Shareholders is in proportion to the Existing Shareholders' respective shareholding in Fudao Chemical. As such, the shareholding in Fudao Chemical held by the Existing Shareholders will remain unchanged upon completion of the Capital Increase.

#### ***The Asset Injection***

The consideration of the Capital Increase to be subscribed by Orient Petrochemical is RMB205.8 million, in cash and assets (for the part in assets, the "**Asset Injection**"). The cash consideration shall be the difference between the consideration of the Asset Injection and RMB205.8 million.

The assets to be injected to Fudao Chemical by Orient Petrochemical under the Asset Injection comprise of upfront expenses of acrylonitrile project and intangible assets of plant process package. The book value of the assets above as of 31 October 2022 is RMB157 million. No revenue or profit attributable to such assets was recognized for the financial years ended 31 December 2020 and 2021. The final consideration of the Asset Injection will be determined with reference to the valuation carried out by a certified PRC public valuer on such assets as of 31 October 2022.

The Company will make further announcement(s) when the consideration of the Asset Injection and the cash consideration to be paid by Orient Petrochemical are finalized.

**Payment schedule** : With regard to the cash consideration of the Capital Increase, CNOOC Fudao and Orient Petrochemical shall make the lump-sum payment within 60 business days after date of the Capital Increase Agreement.

With regard to the consideration of the Asset Injection, Orient Petrochemical shall complete the registration and/or filing of the property right transfer, where applicable.

### III. SHAREHOLDING STRUCTURE OF FUDAO CHEMICAL

The shareholding structure of Fudao Chemical immediately before and after completion of the Capital Increase:

Name of shareholder	Immediately before the completion of the Capital Increase		Immediately after the completion of the Capital Increase	
	Fudao Chemical Registered capital of (in RMB)	Percentage	Fudao Chemical Registered capital of (in RMB)	Percentage
CNOOC Fudao	153 million	51%	367.2 million	51%
Orient Petrochemical	<u>147 million</u>	<u>49%</u>	<u>352.8 million</u>	<u>49%</u>
<b>Total</b>	<u><u>300 million</u></u>	<u><u>100%</u></u>	<u><u>720 million</u></u>	<u><u>100%</u></u>

#### IV. FINANCIAL INFORMATION OF FUDAO CHEMICAL

Based on the audited consolidated financial statements of Fudao Chemical, being the Target Company, for the financial years ended 31 December 2020 and 2021 prepared in accordance with the International Financial Reporting Standards, the net profits before and after taxation for the financial years ended 31 December 2020 and 2021 are set out below:

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit before taxation	29.16667	146.92451
Profit after taxation	21.87500	21.33368

Based on the unaudited consolidated financial statements of the Target Company for the six months ended 30 June 2022 prepared in accordance with the International Financial Reporting Standards, the net assets of the Target Company as of 30 June 2022 was RMB300,565,371.25.

#### V. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Capital Increase is in line with the Company's strategic development of the exploration into acrylonitrile business. The new chemical material field represents the key focus for the Company's transformation of business in the future. Riding on its acrylonitrile project, the Company will explore into the downstream industry chain, and lay out high-end new chemical materials industry. The acrylonitrile project of Fudao Chemical will commence production in 2023. The funds raised from and the Asset Injection acquired under the Capital Increase will be used for Fudao Chemical's daily operation and acrylonitrile project development.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase Agreement are fair and reasonable, and in the interests of the Company and the shareholders of the Company as a whole.

The Company will make further announcement(s) when the consideration of the Asset Injection and the cash consideration to be paid by Orient Petrochemical are finalized.

#### VI. INFORMATION OF THE PARTIES

The Company mainly engages in the developments, production and sales of fertilisers (including urea, phosphate and compound fertiliser) and chemical products (primarily methanol and polyformaldehyde).

CNOOC Fudao mainly engages in manufacturing and sales of fertilisers and methanol.

CNOOC is the controlling shareholder of the Company and is one of largest state-owned oil companies in the PRC specializing in exploration of oil and gas in the PRC with its headquarters in Beijing. It is the largest offshore oil and gas producer in the PRC. Since its establishment, it has sustained continuous developments and had advanced from a company engaging only in exploitation of oil and gas to an integrated conglomerate with prominent main business and a complete production chain including upstream petroleum businesses (such as exploration, development, production and sales of oil and gas), downstream petroleum businesses (such as refining, petrochemicals, use of natural gas, power generation, the manufacturing and sale of fertilisers and chemicals) and financial services.

Orient Petrochemical mainly engages in the petroleum refining and the manufacturing, sales, storage and trade of petroleum and petrochemical products.

Fudao Chemical mainly engages in the production, manufacturing and sales of acrylonitrile products and methyl methacrylate products.

## **VII. LISTING RULES IMPLICATIONS**

As of the date of this announcement, (i) CNOOC is the controlling shareholder of the Company, (ii) Orient Petrochemical is a wholly-owned subsidiary of CNOOC; (iii) CNOOC Fudao, a wholly-owned subsidiary of the Company, holds 51% equity interests in Fudao Chemical and Orient Petrochemical holds 49% equity interests in Fudao Chemical. Therefore, Orient Petrochemical is a connected person of the Company under Rule 14A.07 of the Listing Rules and Fudao Chemical is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules.

### **Capital Increase by CNOOC Fudao**

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### **Capital Increase by Orient Petrochemical**

As Orient Petrochemical is a connected person of the Company, the Capital Increase by Orient Petrochemical also constitutes a connected transaction of the Company. However, as the amount of the Capital Increase to be subscribed by CNOOC Fudao and Orient Petrochemical, respectively, is in proportion to the their respective shareholding in Fudao Chemical, the Capital Increase by Orient Petrochemical is fully exempt pursuant to Rule 14A.92 of the Listing Rules.

However, as part of the increased registered capital to be subscribed by Orient Petrochemical is proposed to be in assets, such Asset Injection is deemed as an acquisition of assets by the Group from a connected person, which is also a connected transaction of the Group. Calculated based on

the book value of the assets proposed to be injected under the Asset Injection, as the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Asset Injection exceeds 0.1% but is less than 5%, the Asset Injection is subject to reporting, announcement requirements but is exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Due to their positions in CNOOC, Mr. Huang Hulong and Mr. Zhao Baoshun have abstained from voting at the Board meeting on the resolution approving the Capital Increase Agreement.

## VIII. DEFINITION

<b>“Asset Injection”</b>	asset injection by Orient Petrochemical to Fudao chemical under the Capital Increase Agreement
<b>“Board”</b>	the board of Directors
<b>“Capital Increase”</b>	the capital increase of Fudao Chemical pursuant to the Capital Increase Agreement
<b>“Capital Increase Agreement”</b>	the capital increase agreement dated 9 December 2022 entered into among Orient Petrochemical, CNOOC Fudao and Fudao Chemical
<b>“CNOOC”</b>	中國海洋石油集團有限公司 (China National Offshore Oil Corporation*), a state-owned company established in China which is also the controlling shareholder of the Company
<b>“CNOOC Fudao”</b>	海洋石油富島有限公司 (CNOOC Fudao Limited*), a company established in the PRC and is a wholly-owned subsidiary of the Company
<b>“Company”</b>	中海石油化學股份有限公司 (China BlueChemical Ltd.*), a company incorporated in the PRC and a subsidiary of CNOOC, the H shares of which are listed on the Stock Exchange
<b>“Director(s)”</b>	directors of the Company
<b>“Existing Shareholders”</b>	CNOOC Fudao and Orient Petrochemical
<b>“Fudao Chemical” or “Target Company”</b>	中海油(海南)富島化工有限公司 (CNOOC (Hainan) Fudao Chemical Ltd.*), a limited company incorporated in the PRC, in which Orient Petrochemical and CNOOC Fudao hold the 49% and 51% equity interests, respectively

“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Orient Petrochemical”	中海油東方石化有限責任公司 (CNOOC Orient Petrochemical Co., Ltd.*), a limited company incorporated in the PRC, which is a wholly owned by CNOOC as of the date of this announcement
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

*In addition, the terms “connected person”, “connected subsidiary”, “connected transaction”, “controlling shareholder”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings ascribed to them under the Listing Rules.*

By order of the Board  
**China BlueChemical Ltd.\***  
**Wu Xiaoxia**  
*Company Secretary*

Beijing, the PRC  
9 December 2022

*As of the date of this announcement, the executive directors of the Company are Mr. Hou Xiaofeng and Mr. Li Zhi, the non-executive directors of the Company are Mr. Huang Hulong and Mr. Zhao Baoshun, and the independent non-executive directors of the Company are Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong.*

\* For identification purpose only