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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other independent professional adviser.

If you have sold or transferred all your shares in **China BlueChemical Ltd.**, you should at once hand this circular, together with the enclosed forms of proxy and reply slips, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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 PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS PROPOSED APPOINTMENT OF SUPERVISOR AND NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 6 to 32 of this circular. A letter from the Independent Board Committee is set out on pages 33 to 34 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 64 of this circular.

Notice convening the EGM to be held at the Meeting Room 1401, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC on Friday, 22 December 2023 at 9:00 a.m. is set out on pages 68 to 70 of this circular.

Reply slip and proxy form for use at the EGM (or any adjournment thereof) are enclosed and are also published on the HKEXnews website (<http://www.hkexnews.hk>). Shareholders who intend to attend the EGM shall complete and return the corresponding reply slips in accordance with the instructions printed thereon before Saturday, 2 December 2023. Whether or not you are able to attend the EGM, you are strongly advised to complete and sign the enclosed proxy form, in accordance with the instructions printed thereon, and to lodge them with the Company's Secretary Office of the Board in China (for Domestic Shareholders) at Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof) (i.e., 9:00 a.m. on Thursday, 21 December 2023). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

* For identification purpose only

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DEFINITIONS

In this circular, the following words and expressions shall, unless the context otherwise requires, have the following respective meanings:

“Board”	the board of Directors
“CNOOC”	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
“CNOOC Group”	CNOOC and its associates, excluding the Group
“CNOOC Limited”	中國海洋石油有限公司(CNOOC Limited*), a company listed on the Stock Exchange (Stock Code: 0883) and the Shanghai Stock Exchange (Stock Code: 600938) and a subsidiary of CNOOC
“CNOOC China Limited”	中海石油(中國)有限公司(CNOOC China Limited*), a company established in China and a wholly-owned subsidiary of CNOOC Limited
“CNOOC International Trade”	中海油國際貿易有限責任公司(CNOOC International Trade Limited*), a company established in China and a wholly-owned subsidiary of CNOOC Limited
“CNOOC Comprehensive Services and Product Sales Agreement”	the comprehensive services and product sales and purchase framework agreement dated 18 October 2023 entered into between the Company and CNOOC
“CNOOC Fudao”	海洋石油富島有限公司(CNOOC Fudao Limited*), a company established in the PRC and is currently a wholly-owned subsidiary of the Company
“CNOOC Jiantao”	中海石油建滔化工有限公司(CNOOC Kingboard Chemical Limited*), a company established in China and the equity interest of which is owned as to 60% by the Company and 40% by Kingboard

DEFINITIONS

“Company”	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
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	the domestic share(s) of the Company with a nominal value of RMB1.00 each pursuant to the articles of association of the Company
“Domestic Shareholder(s)”	registered holder(s) of the Domestic Shares
“EGM”	the extraordinary general meeting of the Company to be held at 9:00 a.m. on Friday, 22 December 2023 at the Meeting Room 1401, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC to be convened, among other things, for the purpose of considering and, if thought fit, approving the agreements in relation to the Non-exempted Continuing Connected Transactions, the Proposed Caps, the proposed appointment of non-executive Directors and the proposed appointment of Supervisor, and any adjournment thereof
“Fudao Chemical”	中海油富島(海南)化工有限公司(CNOOC Fudao (Hainan) Chemical Ltd.*), a limited company incorporated in the PRC, in which the Company and CNOOC indirectly hold the 51% and 49% equity interests, respectively
“Fudao Comprehensive Services and Product Sales Agreement”	the comprehensive services and product sales and purchase framework agreement dated 18 October 2023 entered into between the Company and Fudao Chemical
“Fudao Phase I Urea Plant”	the Company’s urea plant with a 520,000-tonne annual capacity in Hainan
“Fudao Phase II Urea Plant”	the Company’s urea plant with an 800,000-tonne annual capacity in Hainan
“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas-listed foreign share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“H Shareholder(s)”	registered holders of H Share(s)

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“Hainan Phase I Methanol Plant”	the Company’s methanol plant with a 600,000-tonne annual capacity in Hainan
“Hainan Phase II Methanol Plant”	the Company’s methanol plant with an 800,000-tonne annual capacity in Hainan
“Hainan Plants”	Fudao Phase I Urea Plant, Fudao Phase II Urea Plant, Hainan Phase I Methanol Plant and Hainan Phase II Methanol Plant
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. Xie Dong, Mr. Yu Changchun and Mr. Lin Feng, the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the agreements in relation to the Non-exempted Continuing Connected Transactions and the Proposed Caps
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions and the Proposed Caps
“Independent Shareholders”	Shareholders other than those who have interest in the relevant Non-exempted Continuing Connected Transactions
“Investment and Wealth Management Cooperation Framework Agreement”	the investment and wealth management cooperation framework agreement dated 18 October 2023 entered into between the Company and Zhonghai Trust
“Latest Practicable Date”	3 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Natural Gas Sale and Purchase Agreements”	the five long-term agreements the Group has entered into with CNOOC China Limited, including (i) the Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited dated 28 July 2003, (ii) the Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement entered into between CNOOC Jiantao and CNOOC China Limited dated 10 March 2005, (iii) the Natural Gas Sale and Purchase Framework Agreement entered into between the Company and CNOOC China Limited dated 1 September 2006 and the Ledong Natural Gasfield Natural Gas Sale and Purchase Agreement entered into between the Company and CNOOC China Limited dated 26 March 2010 thereunder, (iv) the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement entered into among the Company, CNOOC Fudao and CNOOC China Limited dated 28 October 2014 and the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Agreement entered into among the Company, CNOOC Fudao and CNOOC China Limited dated 18 May 2015 thereunder, and (v) Dongfang 13-2 Gasfield Group Natural Gas Sale and Purchase Agreement entered into among the Company, CNOOC Fudao and CNOOC China Limited dated 3 November 2017
“NDRC”	National Development and Reform Commission of the PRC
“New Natural Gas Sale and Purchase Framework Agreement”	the natural gas sale and purchase framework agreement dated 18 October 2023 entered into between the Company and CNOOC International Trade
“Non-exempted Continuing Connected Transactions”	the continuing connected transactions contemplated under (i) the New Natural Gas Sale and Purchase Framework Agreement, (ii) the CNOOC Comprehensive Services and Product Sales Agreement, (iii) the Fudao Comprehensive Services and Product Sales Agreement, and (iv) the Investment and Wealth Management Cooperation Framework Agreement, which are subject to Independent Shareholders’ approval at the EGM
“PBOC”	中國人民銀行(the People’s Bank of China)
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Proposed Cap(s)”	the proposed maximum annual aggregate value(s) for each type of the Non-exempted Continuing Connected Transactions of the Company for each year in the period commencing from 1 January 2024 to 31 December 2026
“Prospectus”	the Hong Kong prospectus of the Company dated 18 September 2006
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the Supervisor(s) of the Company
“Supervisory Committee”	the Supervisory committee of the Company
“%”	per cent

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

* *The Chinese name(s) of the PRC entities have been translated into English in this circular for reference only. In the event of any discrepancies between the Chinese names of the PRC entities and their respective English translations, the Chinese version shall prevail.*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Hou Xiaofeng
Mr. Li Ruiqing

Non-executive Directors:

Mr. Huang Hulong
Mr. Zhao Baoshun

Independent non-executive Directors:

Mr. Yu Changchun
Mr. Lin Feng
Mr. Xie Dong

Registered Office:

No. 3 Park Third Road
Basuo Town
Dongfang City
Hainan Province
The PRC

*Principal place of business in
Hong Kong:*

65/F., Bank of China Tower
No. 1 Garden Road
Central Hong Kong

7 November 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS
PROPOSED APPOINTMENT OF SUPERVISOR
AND**

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

I. INTRODUCTION

We refer to the announcement dated 18 October 2023 of the Company in relation to, among other things, the Non-exempted Continuing Connected Transactions of the Company. We also refer to the announcement dated 17 October 2023 of the Company in relation to, among other things, the proposed appointment of non-executive Directors and the proposed appointment of Supervisor.

The purposes of this circular are:

- (1) to provide details in respect of the Non-exempted Continuing Connected Transactions;
- (2) to set out the recommendations from the Independent Board Committee in respect of the agreements in relation to the Non-exempted Continuing Connected Transactions and the Proposed Caps;

* For identification purpose only

LETTER FROM THE BOARD

- (3) to set out the advice from Gram Capital in respect of the agreements in relation to the Non-exempted Continuing Connected Transactions and the Proposed Caps;
- (4) to provide details in respect of the proposed appointment of non-executive Directors;
- (5) to provide details in respect of the proposed appointment of Supervisor;
- (6) to provide the Shareholders with other information required under the Listing Rules; and
- (7) to provide the Shareholders with the notice of the EGM.

II. NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The Group is required to conduct transactions with its connected persons in its ordinary and usual course of business, on normal commercial terms and on terms that are fair and reasonable as far as the Shareholders as a whole are concerned.

As some of the agreements governing the continuing connected transactions entered into by the Group and/or their respective annual caps will expire on 31 December 2023, the Board proposes to (1) enter into new agreements, and (2) set the annual caps for 2024 to 2026 in respect of the above-mentioned continuing connected transactions. The Board also proposes to enter into the Investment and Wealth Management Cooperation Framework Agreement and set the annual caps for 2024 to 2026 for the continuing connected transactions contemplated thereunder.

Summary of the Non-exempted Continuing Connected Transactions

New Natural Gas Sale and Purchase Framework Agreement

Reference is made to the Prospectus of the Company, the announcements of the Company dated 5 November 2008, 9 November 2011, 28 March 2012, 28 October 2014, 3 November 2017 and 23 October 2020 and the circulars of the Company dated 14 November 2008, 31 December 2008, 15 November 2011, 7 November 2014, 13 November 2017 and 13 November 2020 in relation to, among other things, the continuing connected transactions of the Company.

- (1) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between the Company and CNOOC China Limited dated 28 July 2003, under which CNOOC China Limited has committed to supply natural gas to the Company for Fudao Phase II Urea Plant. The natural gas delivery period under this agreement is 20 years, commencing on 1 October 2003 and expired on 30 September 2023.
- (2) Dongfang 1-1 Offshore Gasfield Natural Gas Sale and Purchase Agreement between CNOOC Jiantao and CNOOC China Limited dated 10 March 2005, under which CNOOC China Limited has committed to supply natural gas to CNOOC Jiantao for Hainan Phase I Methanol Plant. The natural gas delivery period under this agreement is 20 years, commencing on 16 October 2006 and will expire on 15 October 2026.

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- (3) Natural Gas Sale and Purchase Framework Agreement between the Company and CNOOC China Limited on 1 September 2006, under which CNOOC China Limited has committed to supply natural gas for the Company's future plants. This agreement does not include the transactions conducted under the two pre-existing agreements mentioned above. Under this framework agreement, CNOOC China Limited will sell natural gas to the Company and/or the Company's subsidiaries. The term of the agreement is of 20 years commencing on the date of the agreement. CNOOC China Limited and the Company or the Company's relevant subsidiaries will enter into separate agreements which will set out the specific terms and conditions for natural gas sales and purchases according to the principles laid down by this framework agreement.

On 26 March 2010, the Company and CNOOC China Limited entered into the Ledong Natural Gasfield Natural Gas Sale and Purchase Agreement under the Natural Gas Sale and Purchase Framework Agreement dated 1 September 2006 pursuant to which CNOOC China Limited has agreed to supply natural gas to the Company for Hainan Phase II Methanol Plant. The natural gas delivery period under this agreement is 15 years, commencing on 1 January 2011 and will expire on 31 December 2025.

- (4) Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement among the Company, CNOOC Fudao and CNOOC China Limited dated 28 October 2014 pursuant to which CNOOC China Limited has agreed to supply to the Group with natural gas as feedstock required mainly for Fudao Phase I Urea Plant. The natural gas delivery period under this framework agreement is nine years commencing on 1 August 2015.

On 18 May 2015, the Company, CNOOC Fudao and CNOOC China Limited entered into the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Agreement under the Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement dated 28 October 2014 pursuant to which CNOOC China Limited has agreed to supply to the Company with natural gas as feedstock required mainly for Fudao Phase I Urea Plant. The natural gas delivery period under this agreement commenced on 8 April 2016 and will expire at the end of operation period of the gasfield, which is expected to be on or before 31 July 2024.

- (5) Dongfang 13-2 Gasfield Group Natural Gas Sale and Purchase Agreement among the Company, CNOOC Fudao and CNOOC China Limited dated 3 November 2017, pursuant to which CNOOC China Limited has agreed to supply to the Group with natural gas as feedstock required mainly for the Hainan Plants. The natural gas delivery period under this agreement is 20 years commencing on 15 November 2018.

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As mentioned in the announcement of the Company dated 30 June 2022 and the circular of the Company dated 9 December 2022, due to the internal arrangement of CNOOC Limited, the business entity engaging in the sales of natural gas within CNOOC Limited changed from CNOOC China Limited, a subsidiary of CNOOC Limited, to CNOOC International Trade, another subsidiary of CNOOC Limited, in 2021. Based on such arrangement, the above-mentioned parties (as suppliers) of Natural Gas Sale and Purchase Agreements have also been changed from CNOOC China Limited to CNOOC International Trade. Such arrangement has no adverse impact on the supply of natural gas to the Group as the source of natural gas is still within CNOOC Limited. In addition, other terms and conditions (including the pricing terms) of the Natural Gas Sale and Purchase Agreements as mentioned in “Natural Gas Sale and Purchase Agreements” of the circular of the Company dated 13 November 2020 remain unchanged. Considering the above-mentioned factors, the Directors are of the view that such change to the Natural Gas Sale and Purchase Agreements does not constitute the material change to the terms under the Rule 14A.54(2) of the Listing Rules.

In order to secure stable and reliable supply of natural gas for the Company’s production of fertilizers and chemical products and streamline the above arrangements, on 18 October 2023, the Company entered into the New Natural Gas Sale and Purchase Framework Agreement with CNOOC International Trade, pursuant to which CNOOC International Trade may sell to the Group and the Group may purchase from CNOOC International Trade natural gas, including but not limited to long-term sale and purchase of natural gas from Dongfang and Ledong natural gas fields as follows:

- a. Dongfang 1-1 Natural Gasfield;
- b. Ledong Natural Gas Field and Natural Gas Adjustment Project;
- c. Dongfang 13-2 Gas Field Group;
- d. Dongfang 1-1 Gas Field Phase I Adjusted Project (Platform F);
- e. Dongfang 29-1 Gas Field;
- f. Dongfang 13-3 Gas Field; and
- g. Ledong 10-1 Gas Field.

The term of the New Natural Gas Sale and Purchase Framework Agreement will commence on 1 January 2024 and expire on 31 December 2026.

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The Group may, from time to time when the situation requires, enter into specific agreements which will set out the specific terms and conditions of the sale and purchase of natural gas according to the principles laid down under the New Natural Gas Sale and Purchase Framework Agreement as follow:

- a. the quality of natural gas provided shall be satisfactory to the Group or shall comply with the requirements under the law (if any);
- b. the price for providing natural gas must be fair and reasonable; and
- c. the terms and conditions for the provision of natural gas are no less favorable to the Group than those offered by CNOOC International Trade to independent third parties.

Based on the above principles, the price of natural gas under the New Natural Gas Sale and Purchase Framework Agreement shall be determined through fair negotiation and in accordance with normal commercial terms or better terms, with reference to general local market conditions (including sales volume, contract term, service volume, overall customer relationship and other market factors), and shall be determined according to the mechanism and sequence as follows: (1) when relevant government authorities implement a government-prescribed price in relation to the transactions contemplated under the New Natural Gas Sale and Purchase Framework Agreement during the term of the New Natural Gas Sale and Purchase Framework Agreement, the government-prescribed price; or (ii) if there is no government-prescribed price, the market price (including local, national or international market price). The market price as provided in the New Natural Gas Sale and Purchase Framework Agreement shall be determined through fair negotiation between the Company (and its associates) and CNOOC International Trade (and its subsidiaries) according to market principles:

- a. for domestic natural gas (excluding long-term domestic natural gas sales) and by-products: by referring to the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and the price of other competing gas sources in the local market; or
- b. for long-term domestic natural gas sales: by referring to the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and/or the prices charged by two to three major independent suppliers (depending on whether they have operated business in the specific local market), which have similar business with CNOOC International Trade (including its subsidiaries from time to time) and offer similar products to the Company (and its associates) or other purchasers, and also taking into account factors such as the specific quality of the natural gas.

As the above price benchmark is determined based on information obtained by the Company through the market (including price information available on the public government website), the Company is of the view that it can provide objective and specific pricing information to conduct the transactions contemplated under the New Natural Gas Sale and Purchase Framework Agreement on reasonable and fair terms and conditions.

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Subject to Independent Shareholders' approval of the New Natural Gas Sale and Purchase Framework Agreement (including the proposed annual caps), commencing from 1 January 2024, the existing continuing connected transactions contemplated under Natural Gas Sale and Purchase Agreements shall be conducted under the New Natural Gas Sale and Purchase Framework Agreement (including the proposed annual caps). For avoidance of doubt, no further agreement will be entered into under the Natural Gas Sale and Purchase Framework Agreement and Dongfang 1-1 Gasfield Phase I Adjusted Project Natural Gas Sale and Purchase Framework Agreement.

In order to ensure that the price of the natural gas under the New Natural Gas Sale and Purchase Framework Agreement is determined on a fair and reasonable basis and in accordance with the pricing principles, the Company has adopted the following procedures when determining the price of the natural gas to be supplied:

The transactions under the New Natural Gas Sale and Purchase Framework Agreement have been conducted on normal commercial terms and conditions which are no less favourable than those offered to independent third parties by CNOOC International Trade, and the price shall be negotiated for the adjustment taking into account factors such as change of the pricing policy by the state pricing regulatory authorities, prices of domestic energy markets, domestic prices for natural gas and change in CPIs. The Company will collaborate with the relevant responsible department(s) and unit(s) of CNOOC International Trade to from time to time refer to (i) the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and the price of other competing gas sources (if any) in the local market, so as to ensure the procurement price for the domestic natural gas (excluding long-term domestic natural gas sales) and by-products is in accordance with the pricing principle, and (ii) the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and/or the prices charged by two to three major independent suppliers (if any, depending on whether they have operated business in the specific local market), so as to ensure the procurement price for long-term domestic natural gas sales is in accordance with the pricing principle.

CNOOC Comprehensive Services and Product Sales Agreement

On 18 October 2023, the Company entered into the CNOOC Comprehensive Services and Product Sales Agreement with CNOOC, pursuant to which:

- a. the Group has agreed to provide comprehensive services to CNOOC Group (including but not limited to provision of office premises/facilities, labour services, technical training, project management, logistics management, accommodation/catering, port management, logistics assistance, transportation services, material supplies for utility system, etc.);

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- b. CNOOC Group has agreed to provide comprehensive services to the Group (including but not limited to engineering services, telecommunication and network services, construction services, management system/technology development, equipment leasing, equipment maintenance, project management, labour services, materials/equipment procurement, transportation services, technical training, catering, accommodation, medical, insurance services, conference/conference affair services, consultancy services, logistics management, etc.); and
- c. the Group has agreed to sell products (including but not limited to urea, phosphate fertiliser, methanol, potassium fertilizer, formaldehyde, ammonia, compound fertiliser, acrylonitrile, etc. and such other products as may be sold by the Group to the CNOOC Group under the CNOOC Comprehensive Services and Product Sales Agreement) to CNOOC Group, and CNOOC Group has agreed to sell products (including but not limited to potassium fertilizer, medicament and natural gas, etc. and such other products as may be sold by the CNOOC Group to the Group under the CNOOC Comprehensive Services and Product Sales Agreement) to the Group.

The term of the CNOOC Comprehensive Services and Product Sales Agreement will commence on 1 January 2024 and expire on 31 December 2026.

In order to facilitate effective internal control of the continuing connected transactions contemplated under the CNOOC Comprehensive Services and Product Sales Agreement, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the provision of services and supplies and sales of products by the Group to CNOOC Group and (ii) the provision of services and supplies and sales of products by CNOOC Group to the Group.

Under the CNOOC Comprehensive Services and Product Sales Agreement, the provision of services, supplies and products by the Group to CNOOC Group will be conducted on normal commercial terms and conditions which shall be no more favourable than those offered to independent third parties by the Group, and the provision of services, supplies and products by CNOOC Group to the Group will be conducted on normal commercial terms and conditions which shall be no less favourable than those offered by independent third parties to the Group and no less favourable than those offered to independent third parties by CNOOC Group, and the prices thereunder will be determined in accordance with the pricing principles set out in the CNOOC Comprehensive Services and Product Sales Agreement as follows:

- 1. As to provision of services, supplies and products by the Group to CNOOC Group:
 - a. not lower than the prices charged by the Group to other comparable independent third parties for the same type of services, supplies or products; or
 - b. with reference to the prices for providing or supplying the same type of services, supplies or products in the same areas charged under normal transaction condition by comparable independent third parties; or

LETTER FROM THE BOARD

- c. with reference to the prices for providing or supplying the same type of services, supplies or products in the adjacent areas charged under normal transaction condition by comparable independent third parties.
2. As to provision of services, supplies and products by CNOOC Group to the Group:
 - a. not higher than the prices charged by CNOOC Group to its associates or other comparable independent third parties (if any) for the same type of services, supplies or products (whichever is lower); or
 - b. with reference to the prices for providing or supplying the same type of services, supplies or products in the same areas charged under normal transaction condition by comparable independent third parties; or
 - c. with reference to the prices for providing or supplying the same type of services, supplies or products in the adjacent areas charged under normal transaction condition by comparable independent third parties.

Nevertheless, for the above-mentioned services, supplies and products, when relevant government authorities implement a government-prescribed price in relation to the transactions contemplated under the CNOOC Comprehensive Services and Product Sales Agreement during the term of the CNOOC Comprehensive Services and Product Sales Agreement, the relevant prices shall implement the government-prescribed price.

In order to ensure that the price of the CNOOC Comprehensive Service and Product Sales Agreement with respect to provision of services and supplies and sales of products by the Group to the CNOOC Group is determined on a fair and reasonable basis and in accordance with the pricing principle, the Company has adopted the following procedures when determining the price of the services and supplies provided and the price of the products sold:

1. *As for provision of services and supplies by the Group to CNOOC Group*

Before entering into specific service or supply provision agreements with CNOOC Group, the designated department of the Group will evaluate and assess the scope of the relevant services or supplies requested and prepare a fee proposal based on detailed cost calculation referencing to cost of materials, products and labors, technical difficulties and expertise involved, as well as fee quotes of the Group to other independent third-party customers and the fees charged by competitors of the Group in the market (if available) collected from regional data available in the market and market data gathered by the Group's marketing team during on-site visits, which will be submitted to the senior management for approval. The senior management of the Company will determine the price of the Group's services or supplies based on the market information collected by the Group's marketing team with reference to the then marketing strategy of the Company, so as to ensure that the fees for the services or supplies that the Group will be charging CNOOC Group are competitive and comparable to those being offered to independent third-party customers of the Group.

LETTER FROM THE BOARD

2. *As for sales of products by the Group to CNOOC Group*

The Company has set up the Sales and Pricing Committee, which comprises senior management and executives from the Marketing Center, the Financial Management Department and the Audit Department of the Company, to determine the price of products for sale. The Marketing Center of the Company will gather market information, such as the recent market trend and the prices charged by competitors of the Group in the market collected from regional data quoted on specialised websites of industrial market information and available in the market and market data gathered by the Group's marketing team during on-site visits, and propose the selling price for the products to be sold taking into consideration the selling price proposed by the local marketing team and market information gathered. The proposed selling price will then be reported to the Sales and Pricing Committee which will review the rationales and basis for determining the proposed price before approving the price. The Sales and Pricing Committee will determine the selling price of the Group's products based on the market information collected by the Group's marketing team with reference to the then marketing strategy of the Company. The specific product sales agreements will then be entered into at the approved price.

In order to ensure that the price of the CNOOC Comprehensive Services and Product Sales Agreement with respect to provision of services and supplies and sales of products by CNOOC Group to the Group is determined on a fair and reasonable basis and in accordance with the pricing principle, the Company has set up the Procurement Sharing Center to determine the supplier of services, supplies and products. The following procedures have been adopted when determining the suppliers of the services, supplies and products:

The Procurement Sharing Center is responsible for carrying out tendering process to assess the quality and price of services, supplies and products, qualification of suppliers, and terms offered by no less than three suppliers to make sure the conditions offered by CNOOC Group in the separate agreements under the CNOOC Comprehensive Services and Product Sales Agreement are no less favorable to the Group than those offered by independent third parties to the Group (if practicable). If the above-mentioned tendering process is not available due to the exclusivity of certain services, supplies or products in certain places, requirements of government authorities or other reasons, the Procurement Sharing Center will negotiate with suppliers of services, supplies or products to make sure the pricing principles set out in the CNOOC Comprehensive Services and Product Sales Agreement are fulfilled.

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The Company is of the view that such pricing policies can provide objective and specific pricing information to the Company to enable it to conduct transactions under CNOOC Comprehensive Services and Product Sales Agreement with reasonable and fair pricing terms and conditions as: (1) through market research, the Group is able to gather relevant information to assess the prevailing market price of similar services, supplies and products from time to time, which is a reference made with independent third parties; or (2) through tender process, the Group is able to gather information and make reasonable commercial decisions based on (i) the terms of the tenders received from other parties, including independent third parties, including the price, payment term and response to the quality requirements and/or specifications for the relevant services, supplies or products; (ii) the background, qualifications and financial position of participating suppliers; and (iii) the track record and historical business relationship between the Group and participating suppliers.

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific scope of services, supplies and products, and the terms and conditions of providing such services, supplies and products according to the principles laid down by the CNOOC Comprehensive Services and Product Sales Agreement.

Fudao Comprehensive Services and Product Sales Agreement

On 18 October 2023, the Company entered into the Fudao Comprehensive Services and Product Sales Agreement with Fudao Chemical, pursuant to which:

- a. the Group has agreed to provide comprehensive services to Fudao Chemical (including but not limited to provision of office premises/facilities, labour services, technical training, project management, logistics management, accommodation/catering, port management, logistics assistance, transportation services, equipment leasing, equipment maintenance, materials/equipment procurement services, material supplies for utility system, etc.); and
- b. the Group has agreed to sell products (including but not limited to methanol, liquid ammonia, etc.) to Fudao Chemical and Fudao Chemical has agreed to sell products (including but not limited to acrylonitrile, acetonitrile, methyl methacrylate (“MMA”) etc.) to the Group.

The term of the Fudao Comprehensive Services and Product Sales Agreement will commence on 1 January 2024 and expire on 31 December 2026.

In order to facilitate effective internal control of the continuing connected transactions contemplated under the Fudao Comprehensive Services and Product Sales Agreement, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the provision of services and supplies and sales of products by the Group to Fudao Chemical and (ii) the sales of products by Fudao Chemical to the Group.

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Under the Fudao Comprehensive Services and Product Sales Agreement, the provision of services and supplies and sales of products by the Group to Fudao Chemical will be conducted on normal commercial terms and conditions which shall be no more favourable than those offered to independent third parties by the Group, and the sales of products by Fudao Chemical to the Group will be conducted on normal commercial terms and conditions which shall be no less favourable than those offered to the Group by independent third parties and no less favourable those offered to independent third parties by Fudao Chemical, and the prices thereunder will be determined in accordance with the pricing principles set out in the Fudao Comprehensive Services and Product Sales Agreement as follows:

1. *As to provision of services and supplies and sales of products by the Group to Fudao Chemical:*
 - a. not lower than the prices charged by the Group to other comparable independent third parties for the same type of services, supplies or products; or
 - b. with reference to the prices for providing or supplying the same type of services, supplies or products in the same areas charged under normal transaction condition by comparable independent third parties; or
 - c. with reference to the prices for providing or supplying the same type of services, supplies or products in the adjacent areas charged under normal transaction condition by comparable independent third parties.
2. *As to sales of products by Fudao Chemical to the Group:*
 - a. not higher than the prices charged by Fudao Chemical to its associates (other than members of the Group) or other comparable independent third parties (if any) for the same type of products (whichever is lower); or
 - b. with reference to the prices for supplying the same type of products in the same areas charged under normal transaction conditions by comparable independent third parties; or
 - c. with reference to the prices for supplying the same type of products in the adjacent areas charged under normal transaction conditions by comparable independent third parties.

Nevertheless, for the above-mentioned services, supplies and products, when relevant government authorities implement a government-prescribed price in relation to the transactions contemplated under the Fudao Comprehensive Services and Product Sales Agreement during the term of the Fudao Comprehensive Services and Product Sales Agreement, the relevant prices shall implement the government-prescribed price accordingly.

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In order to ensure that the price of the Fudao Comprehensive Service and Product Sales Agreement with respect to provision of services and supplies and sales of products by the Group to Fudao Chemical is determined on a fair and reasonable basis and in accordance with the pricing principle, the Company has adopted the following procedures when determining the price of the services and supplies provided and the price of the products sold:

1. As for provision of services and supplies by the Group to Fudao Chemical:

Before entering into specific service or supply provision agreements with Fudao Chemical, the designated department of the Group will evaluate and assess the scope of the relevant services or supplies requested and prepare a fee proposal based on detailed cost calculation referencing to cost of materials, products and labors, technical difficulties and expertise involved, as well as fee quotes of the Group to other independent third-party customers and the fees charged by competitors of the Group in the market (if available) collected from regional data available in the market and market data gathered by the Group's marketing team during on-site visits, which will be submitted to the senior management for approval. The senior management of the Company will determine the price of the Group's services or supplies based on the market information collected by the Group's marketing team with reference to the then marketing strategy of the Company, so as to ensure that the fees for the services or supplies that the Group will be charging Fudao Chemical are competitive and comparable to those being offered to independent third-party customers of the Group.

2. As for sales of products by the Group to Fudao Chemical:

The Company has set up the Sales and Pricing Committee, which comprises senior management and executives from the Marketing Center, the Financial Management Department and the Audit Department of the Company, to determine the price of products for sale. The Marketing Center of the Company will gather market information, such as the recent market trend and the prices charged by competitors of the Group in the market collected from regional data quoted on specialised websites of industrial market information and available in the market and market data gathered by the Group's marketing team during on-site visits, and propose the selling price for the products to be sold taking into consideration the selling price proposed by the local marketing team and market information gathered. The proposed selling price will then be reported to the Sales and Pricing Committee which will review the rationales and basis for determining the proposed price before approving the price. The Sales and Pricing Committee will determine the selling price of the Group's products based on the market information collected by the Group's marketing team with reference to the then marketing strategy of the Company. The specific product sales agreements will then be entered into at the approved price.

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In order to ensure that the price of the Fudao Comprehensive Services and Product Sales Agreement with respect to the sales of products by Fudao Chemical to the Group is determined on a fair and reasonable basis and in accordance with the pricing principle, the Company has set up the Procurement Sharing Center to determine the supplier of products. The following procedures have been adopted when determining the suppliers of products:

The Procurement Sharing Center is responsible for carrying out tendering process to assess the quality and price of products, qualification of suppliers, and terms offered by no less than three suppliers to make sure the conditions offered by Fudao Chemical in the separate agreements under the Fudao Comprehensive Services and Product Sales Agreement are no less favorable to the Group than those offered by independent third parties to the Group (if practicable). If the above-mentioned tendering process is not available due to the exclusivity of certain products in certain places, requirements of government authorities or other reasons, the Procurement Sharing Center will negotiate with suppliers of products to make sure the pricing principles set out in the Fudao Comprehensive Services and Product Sales Agreement are fulfilled.

The Company is of the view that such pricing policies can provide objective and specific pricing information to the Company to enable it to conduct transactions under the Fudao Comprehensive Services and Product Sales Agreement with reasonable and fair pricing terms and conditions as: (1) through market research, the Group is able to gather relevant information to assess the prevailing market price of similar services, supplies and products from time to time, which is a reference made with independent third parties; or (2) through tender process, the Group is able to gather information and make reasonable commercial decisions based on (i) the terms of the tenders received from other parties, including independent third parties, including the price, payment term and response to the quality requirements and/or specifications for the relevant services, supplies or products; (ii) the background, qualifications and financial position of participating suppliers; and (iii) the track record and historical business relationship between the Group and participating suppliers.

The Group may, from time to time when the situation requires, enter into separate agreements which will set out the specific scope of services, supplies and products, and the terms and conditions of providing such services, supplies and products according to the principles laid down by the Fudao Comprehensive Services and Product Sales Agreement.

Investment and Wealth Management Cooperation Framework Agreement

To reasonably and effectively utilise the temporary idle funds of the Group to enhance capital gain, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Zhonghai Trust on 18 October 2023, pursuant to which Zhonghai Trust will provide to the Group the relevant investment products and other investment cooperation as follows:

1. *Investment products:* Zhonghai Trust may from time to time recommend its investment products to the Group and conduct investment products cooperation with the Group in accordance with market practice and normal commercial terms (including but not limited to trust products/trust plans, investment funds or assets management plans); and

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2. *Other investment cooperation:* the Group and Zhonghai Trust may initiate other investment and wealth management cooperation in compliance with relevant laws and regulations through negotiation.

The term of Investment and Wealth Management Cooperation Framework Agreement will commence on 1 January 2024 and expire on 31 December 2026.

The transactions under the Investment and Wealth Management Cooperation Framework Agreement will be conducted in accordance with the following pricing principles:

1. The price for the provision of investment and wealth management products and/or services shall be determined through negotiation based on normal commercial terms when the specific agreement is made, with reference to the then applicable market terms and conditions for the similar type of investment and wealth management products or services provided by other independent non-banking financial institutions in the PRC; and
2. the terms and conditions for the provision of investment and wealth management products and/or services shall be no less favorable than those offered by Zhonghai Trust to other independent third-party investors in respect of the similar products or services.

The Group may, from time to time when the situation requires, enter into separate agreements in respect of the specific investment and wealth management cooperation according to the normal commercial terms and conditions and the principle laid down by the Investment and Wealth Management Cooperation Framework Agreement.

With a view to ensure the terms and conditions offered by Zhonghai Trust will be no less favourable than or at least equivalent to those offered by other independent non-banking financial institutions in the PRC, the Company will designate relevant personnel of the financial department of the Company to conduct searches on the market terms and conditions of similar products or services before entering into specific agreements with Zhonghai Trust. In addition, the Company will, on its best efforts, obtain prices or quotations for similar products or services from other independent non-banking financial institutions in the PRC and will compare the terms and conditions to ensure the investment products and the investment cooperation are fair to the Company. The finance department of the Company will also compare the terms and conditions offered by Zhonghai Trust to the Group with those offered by Zhonghai Trust to its associates and/or other independent third parties (if any), so as to ensure that the terms and conditions offered by Zhonghai Trust to the Group are no less favourable than or at least equivalent to those offered by Zhonghai Trust to its associates and/or other independent third parties (if any) in respect of similar investment products or investment cooperation.

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Historical Transaction Figures and the Proposed Annual Caps with respect to the Non-exempted Continuing Connected Transactions

Set out below are the historical amounts of the Non-exempted Continuing Connected Transactions of the Company for the two previous financial years ended 31 December 2022 and the eight months ended 31 August 2023 and the approved annual caps for the three years ending 31 December 2023:

Category of the Non-exempted Continuing Connected Transactions	Year ended 31 December 2021		Year ended 31 December 2022		Eight months ended 31 August 2023	Year ended 31 December 2023
	Actual amount	Approved cap	Actual amount	Approved cap	Actual amount	Approved cap
			<i>Amounts in RMB'000</i>			
Natural Gas Sale and Purchase						
Agreements:						
Purchase of natural gas by the Group from CNOOC China Limited	2,622,160	2,814,157	3,255,157	3,300,000 <i>(Note 1)</i>	2,068,117	3,480,000 <i>(Note 1)</i>
CNOOC Comprehensive Services and Product Sales Agreement						
Provision of services and supplies and sales of products by CNOOC Group to the Group <i>(Note 2)</i>	450,264	893,208	476,866	900,221	842,326	2,620,000 <i>(Note 1)</i>
Provision of services and supplies and sales of products by the Group to CNOOC Group <i>(Note 3)</i>	599,162	766,115	595,173	795,696	551,609	810,356
Fudao Comprehensive Services and Product Sales Agreement						
Provision of services and supplies and sales of products by the Group to Fudao Chemical <i>(Note 4)</i>	–	–	48,308	70,000	197,606	320,000
Sales of products by Fudao Chemical to the Group <i>(Note 5)</i>	–	–	–	–	596,107	3,130,000
Investment and Wealth Management						
Cooperation Framework Agreement	–	–	–	–	350,000	N/A <i>(Note 6)</i>

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Notes:

1. The initial annual caps were subsequently revised as set out in the announcement of the Company dated 11 November 2022, the circular of the Company dated 9 December 2022 and poll result announcement of the first extraordinary general meeting of 2022 of the Company dated 28 December 2022.
2. The difference between the actual transaction amount and the approved annual caps from 2021 to 2023 was mainly caused by (i) the cessation of the production plant for methanol and urea of CNOOC Tianye Chemical Limited (中海石油天野化工有限責任公司) (“**CNOOC Tianye**”) since 2021, resulting in a reduction of procurement such as raw materials from CNOOC Group by the Group; and (ii) that the acrylonitrile plant commenced production and running in 2023, while the annual cap was determined based on theoretical maximum amount of consumption of raw materials on a full-year running basis without considering factors such as the fact that the production volume of the acrylonitrile plant had not reached the maximum production capacity during the early stage of running.
3. The difference between the actual transaction amount and the approved annual caps from 2021 to 2023 was mainly caused by the cessation of the production plant for methanol and urea of CNOOC Tianye since 2021, resulting in a reduction of sales volume of urea from the Group to CNOOC Group.
4. The difference between the actual transaction amount and the approved annual caps from 2022 to 2023 was mainly due to the fact that while the acrylonitrile plant had its mechanical completion in November 2022 and commenced production and running in 2023, the annual caps were determined based on the assumption of immediate production and running upon mechanical completion, and based on theoretical maximum amount of consumption of raw materials on a full-year running basis in the next year without considering factors such as the fact that the production volume of the acrylonitrile plant had not reached the maximum production capacity during the early stage of running.
5. The difference between the actual transaction amount and the approved annual cap for 2023 was mainly due to the fact that while the acrylonitrile plant commenced production and running in 2023, the annual cap was determined based on theoretical maximum amount of production on a full-year running basis without considering factors such as the fact that the production volume of the acrylonitrile plant had not reached the maximum production capacity during the early stage of running.
6. The transaction was an one-off transaction conducted in 2023.

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The table below set out the proposed annual caps for the Non-exempted Continuing Connected Transactions:

Category of the Non-exempted Continuing Connected Transactions		Year ending 31 December 2024 <i>(Note 1)</i>	Year ending 31 December 2025 <i>(Note 1)</i>	Year ending 31 December 2026 <i>(Note 1)</i>
		<i>Amounts in RMB'000</i>		
New Natural Gas Sale and Purchase Framework Agreement:				
Purchase of natural gas by the Group from CNOOC International Trade <i>(Note 4)</i>	Proposed Caps <i>(Note 2)</i>	6,066,047	6,066,047	6,066,047
CNOOC Comprehensive Services and Product Sales Agreement: <i>(Note 5)</i>				
Provision of services and supplies and sales of products by CNOOC Group to the Group <i>(Note 6)</i>	Proposed Caps <i>(Note 2)</i>	3,965,531	4,119,906	4,291,001
Provision of services and supplies and sales of products by the Group to CNOOC Group <i>(Note 7)</i>	Proposed Caps <i>(Note 2)</i>	1,644,621	1,811,923	1,897,441
Fudao Comprehensive Services and Product Sales Agreement: <i>(Note 8)</i>				
Provision of services and supplies and sales of products by the Group to Fudao Chemical <i>(Note 9)</i>	Proposed Caps <i>(Note 2)</i>	560,881	583,815	607,896
Sales of products by Fudao Chemical to the Group <i>(Note 10)</i>	Proposed Caps <i>(Note 2)</i>	4,215,625	4,426,407	4,647,727
Investment and Wealth Management Cooperation Framework Agreement <i>(Note 11)</i>	Proposed Caps <i>(Notes 2 and 3)</i>	1,900,000	1,900,000	1,900,000

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Notes:

1. In respect of all Non-exempted Continuing Connected Transactions, the Directors have estimated the annual transaction figures for the coming three financial years ending 31 December 2026 on the following basis:
 - (a) the continuing connected transactions continuing to be entered into on the terms and conditions set out in the relevant agreements;
 - (b) the continuing connected transactions continuing to be entered into in the ordinary and usual course of business of the Group and upon normal commercial terms;
 - (c) (where applicable) reference being made to the historical amounts for the two financial years ended 31 December 2022 and the eight months ended 31 August 2023; and
 - (d) no material adverse changes to the state of the PRC economy, the business expansion of the Group, the level of prices and demand for the Group's products and the materials and services needed by the Group for its operation and development.
2. The Proposed Caps are subject to Independent Shareholders' approval at the EGM.
3. These caps refer to the maximum daily balance (including expected accrued investment returns) during the relevant period.
4. ***New Natural Gas Sale and Purchase Framework Agreement:*** the determination of the annual caps is mainly based on: (1) the estimated price of natural gas to be supplied for Hainan Plants; (2) the theoretical maximum amount of gas consumption based on the highest possible operation days of each production plant of the Group in Hainan; and (3) a 10% buffer for fluctuation in commodity price, future operation needs of the Company and possible market change.
5. ***CNOOC Comprehensive Services and Product Sales Agreement:*** in order to facilitate effective internal control of the continuing connected transactions contemplated under the CNOOC Comprehensive Services and Product Sales Agreement, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the provision of services and supplies and sales of products by CNOOC Group to the Group, and (ii) the provision of services and supplies and sales of products by the Group to CNOOC Group.
6. ***CNOOC Comprehensive Services and Product Sales Agreement (Provision of services and supplies and sales of products by CNOOC Group to the Group):*** the determination of the annual caps is mainly based on the following aspects: (1) the amount of potassium fertilizer, propene, materials for utility system, and acetone the Group expects to purchase from CNOOC Group; and (2) a 10% buffer for fluctuation in commodity price, future operation needs of the Company and possible market change. While the Proposed Caps are higher than the historical caps and sales amounts for the provision of services and supplies and sales of products by CNOOC Group to the Group, such increase has taken into account the possible and expected increase in selling price of the products of CNOOC in light of the following factors: (i) the expected increase in the costs of raw materials (due to factors such as inflation in prices of raw materials and labour costs); and (ii) the historical fluctuation of the price of raw materials, among which, the difference between the highest and lowest market price of potassium fertilizer, liquid ammonia and propylene during the period between October 2021 and October 2023 reached approximately 125%, 114.4% and 60.3% respectively.
7. ***CNOOC Comprehensive Services and Product Sales Agreement (Provision of services and supplies and sales of products by the Group to CNOOC Group):*** the determination of the annual caps is mainly based on (1) the estimated amount of sales of methanol, urea, phosphate fertiliser, compound fertiliser and logistics support to CNOOC Group by the Group; and (2) a 10% buffer for fluctuation in commodity price, future operation needs of the Company and possible market change. While the Proposed Caps are higher than the historical caps and sales amounts for the provision of services and supplies and sales of products by the Group to CNOOC Group, such increase has taken into account the corresponding increase in selling price of the Group's products due to the possible and expected increase in production costs in light of the following factors: (i) the expected increase in the costs of raw materials (due to factors such as inflation in prices of raw materials and labour costs); and (ii) the historical fluctuation of the price of raw materials as mentioned above.

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8. ***Fudao Comprehensive Services and Product Sales Agreement:*** in order to facilitate effective internal control of the continuing connected transactions contemplated under the Fudao Comprehensive Services and Product Sales Agreement, the Company will divide, so far as practicable, such transactions into two categories, which are (i) the provision of services and supplies and sales of products by the Group to Fudao Chemical and (ii) the sales of products by Fudao Chemical to the Group.
9. ***Fudao Comprehensive Services and Product Sales Agreement (Provision of services and supplies and sales of products by the Group to Fudao Chemical):*** the determination of the annual caps is mainly based on the following aspects: (1) the theoretical maximum amount of consumption of raw materials, including methanol and liquid ammonia, for daily operations based on the highest possible operation days of the plants of acrylonitrile project of Fudao Chemical during the respective year, and the estimated demand of relevant services provided by the Group to Fudao Chemical; (2) the market prices of relevant services, supplies and products in 2023; and (3) a 10% buffer for fluctuation in commodity price, future operation needs of the Company and possible market change.
10. ***Fudao Comprehensive Services and Product Sales Agreement (Sales of products by Fudao Chemical to the Group):*** the determination of the annual caps is mainly based on (1) the theoretical maximum amount of production of acrylonitrile, acetonitrile and MMA based on the highest possible operation days of the plants of acrylonitrile project of Fudao Chemical since formally commencing operation in 2023; (2) the market prices of acrylonitrile, acetonitrile and MMA in the recent years; and (3) a 10% buffer for fluctuation in commodity price, future operation needs of the Company and possible market change. While the Proposed Caps are higher than the historical caps and sales amounts for the sales of products by Fudao Chemical to the Group, such increase has taken into account the possible and expected increase in selling price of the products of Fudao Chemical in light of the following factors: (i) the expected increase in the costs of raw materials (due to factors such as inflation in prices of raw materials and labour costs); and (ii) the historical fluctuation of the price of raw materials as mentioned above.
11. ***Investment and Wealth Management Cooperation Framework Agreement:*** the maximum daily investment balance (including expected accrued investment returns) of the Group with Zhonghai Trust under the investment products and the other investment cooperation within the term of the Investment and Wealth Management Cooperation Framework Agreement for the three financial years ending 31 December 2026 are determined with reference to the current scale of wealth management of the Company, as well as its expectations on the expansion of its wealth management business and enhancement for returns. In particular, having considered the financial assets at fair value through profit or loss of approximately RMB1,156,150,000 and time deposits with original maturity over three months of approximately RMB9,900,000,000 of the Company as at 30 June 2023, the Directors are of the view that the maximum daily investment balance (including expected accrued investment returns) of RMB1,900,000,000 only represents a relatively small portion of the Company's investment and is therefore at a reasonable level.

Measures to Ensure Compliance with the Listing Rules

The Company has established comprehensive internal control system and adopted various internal control rules, including connected transaction management measures, sales and pricing management measures and procurement and tender administration measures, to ensure that the continuing connected transactions are conducted in accordance with the executed agreements. Before entering into a specific connected transaction agreement, the designated department of the Group will review and assess whether the rates and terms set out in the specific agreement are consistent with the executed framework agreement to ensure that the interests of the Company and the Shareholders as a whole are taken into account and protected. The Company has set up the Audit Department to audit and assess the operation of the internal control management system of the Company and report to the audit committee of the Board and the Board in connection to the status of the internal control of the Company (including the implementation status of connected transactions) regularly. The audit committee of the Board and the Supervisory Committee will also regularly conduct assessment on the internal control system of the Company and its subsidiaries in order to ensure the effectiveness of the internal control system of the Group, including internal control measures in respect of connected transactions management. Furthermore, the audit committee of the Board convenes meetings three times a year to discuss and assess the implementation of connected transactions. In addition, the Company's external auditors shall conduct an interim review and a year-end audit on the Company's internal control measures, including connected transactions.

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Reasons for and Benefits of the Non-exempted Continuing Connected Transactions

The Company is one of the major subsidiaries of CNOOC which is one of the largest petroleum companies in China. In view of the extensive resources and experience of CNOOC Group, it is desirable for the Group to seek supports and maintain business relationships with CNOOC Group, and the transactions contemplated thereunder will secure a stable and reliable supply of raw material and services for the Company's production, and reasonably and effectively utilise the temporary idle funds of the Group to enhance capital gain.

The Non-exempted Continuing Connected Transactions of the Company are or will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to carry out the Non-exempted Continuing Connected Transactions as those transactions have facilitated and will continue to facilitate the operation of the Group's business. The Directors are of the view that the terms and annual caps of those transactions as described above are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Information of the Parties Involved

Information on the Group

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

Information on CNOOC and its associates

CNOOC is the controlling shareholder of the Company and is one of largest state-owned oil companies in the PRC specialising 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.

CNOOC Limited is a subsidiary of CNOOC and is listed on the Stock Exchange (Stock Code: 0883) and the Shanghai Stock Exchange (Stock Code: 600938). CNOOC Limited and its subsidiaries principally engage in exploration, development, production and sales of offshore oil and natural gas.

CNOOC China Limited is a subsidiary of CNOOC Limited and principally engages in exploration, development, production and sales of offshore petroleum in the PRC.

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CNOOC International Trade is a subsidiary of CNOOC Limited and principally engages in wholesales of crude oil and refined products.

Fudao Chemical is a non-wholly owned subsidiary of the Company, with the Company indirectly holding its 51% equity interests and CNOOC indirectly holding its 49% equity interests. It mainly engages in the production, manufacturing and sales of acrylonitrile products and methyl methacrylate products.

Zhonghai Trust is a non-wholly owned subsidiary of CNOOC and a state-owned non-banking financial institution jointly established by CNOOC and CITIC Limited. Zhonghai Trust is engaged in the trust business approved by the State Administration of Financial Supervision and Administration and its own businesses include trust loans, credit asset securitisation, structured securities investment, private equity funds, equity trusts and financial consultancy.

Listing Rules Implications

CNOOC is the controlling shareholder of the Company. Therefore, CNOOC and its associates (other than the Group) are the Company's connected persons under Rule 14A.07 of the Listing Rules. Given CNOOC Limited and Zhonghai Trust are all subsidiaries of CNOOC and CNOOC International Trade is a wholly-owned subsidiary of CNOOC Limited, all of them are associates of CNOOC and therefore shall be deemed as connected persons of the Company under Rule 14A.07 of the Listing Rules.

The Company indirectly holds 51% equity interests in Fudao Chemical; and CNOOC, the Company's controlling shareholder, indirectly holds 49% equity interests in Fudao Chemical. Therefore, Fudao Chemical is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Caps of each of the Non-exempted Continuing Connected Transactions exceeds 5%, these Non-exempted Continuing Connected Transactions are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Proposed Caps for the maximum daily investment balance (including accrued investment returns) under the Investment and Wealth Management Cooperation Framework Agreement is more than 5% but less than 25%, the transactions contemplated thereunder also constitute discloseable transactions to the Company under Chapter 14 of the Listing Rules and is therefore subject to announcement requirement under Chapter 14 of the Listing Rules.

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Board Confirmation

The Board (including the independent non-executive Directors) are of the view that the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement and the Investment and Wealth Management Cooperation Framework Agreement are arrived at after arm's length negotiations by each party and entered into in the course of normal business of the Group and are of the view that the Non-exempted Continuing Connected Transactions and the Proposed Caps are on normal commercial terms and fair and reasonable and are also in the interest of the Company and the Shareholders as a whole.

Due to their respective position in CNOOC, Mr. Huang Hulong and Mr. Zhao Baoshun have abstained from voting on the Board resolutions approving the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement, the Investment and Wealth Management Cooperation Framework Agreement, the Non-exempted Continuing Connected Transactions and the Proposed Caps in accordance with Rule 13.44 of the Listing Rules. Save as disclosed above, none of the Directors has any material interest in the Non-exempted Continuing Connected Transactions (including the Proposed Caps).

III. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Board proposed to appoint Ms. Shao Lihua (“**Ms. Shao**”) and Mr. Yang Dongzhao (“**Mr. Yang**”) as non-executive Directors. Their terms of office will commence from the date on which their appointments are approved by the Shareholders and shall last until a new session of the Directors is approved by the Shareholders at the 2023 annual general meeting of the Company. The appointments of Ms. Shao and Mr. Yang are subject to the approval by the Shareholders at the EGM.

The biographical details of Ms. Shao and Mr. Yang are set out as below:

Ms. Shao Lihua, born in 1975, graduated from the Finance Department of Dongbei University of Finance and Economics (東北財經大學) in July 1997, with a bachelor's degree in economics, majoring in monetary banking. In January 2016, she obtained a master's degree in engineering from Beihang University (北京航空航天大學), majoring in software engineering, and is a senior economist. From July 1997 to July 2003, she served as an assistant economist and an economist at Engineering Economy Department of CNOOC Research Center. From July 2003 to August 2004, she served as the supervisor of engineering and economics at Engineering Department of the Fujian LNG Station Line Project of CNOOC Gas and Power Group Ltd. (中海石油氣電公司). From August 2004 to August 2010, she successively served as planning and budget supervisor and planning and budget manager, and deputy manager at Planning and Finance Department of CNOOC Oil & Gas Development and Utilization Company (中海油氣開發利用公司). From August 2010 to August 2016, she successively served as the manager of planning and management position at Planning and Management Department of CNOOC Refinery & Petrochemicals and Sales Division, the head of Industrial Planning and New Project Management Department and the head of Industrial Development Department at Refinery & Petrochemicals and Sales Division of CNOOC. From August 2016 to November 2017, she served as the head of the Industrial Coordination Division and the head of the Industrial Investment Division at

LETTER FROM THE BOARD

Strategy and Planning Department of CNOOC. From November 2017 to October 2022, she served as the head of Industrial Investment Division at Strategy and Planning Department of CNOOC. Since October 2022, she has been serving as the deputy general manager at Strategy and Planning Department of CNOOC (CNOOC Limited).

Mr. Yang Dongzhao, born in 1974, graduated from the Medicine Department of Tongji Medical College (同濟醫科大學) in September 1998, with a bachelor's degree in medicine, majoring in clinical medicine. In December 2015, he obtained a master's degree in safety engineering from China University of Petroleum – Beijing (中國石油大學(北京)) and is a senior engineer. From September 1998 to November 2006, he served as a safety coordinator of Health, Safety and Environment Department at CACT Operators Group (CACT作業者集團). From November 2006 to June 2007, he served as a senior safety consultant of the Penglai Phase II Project of ConocoPhillips Company (康菲公司) at Shenzhen Safeway Technology Service Company Limited (深圳市賽為安全技術服務有限公司). From June 2007 to August 2009, he served as safety supervisor of drilling and completion at the Drilling and Completion Department of the Shenzhen Branch of CNOOC (中海石油有限公司深圳分公司). From August 2009 to May 2012, he successively served as supervisor of evaluation and senior supervisor of security at Health, Safety and Environment Department of CNOOC China Limited (中海石油(中國)有限公司). From May 2012 to November 2017, he served as deputy director of safety supervision, deputy director of quality management and midstream/downstream safety, head of quality and pipeline tank inspection, and head of emergency management at Quality, Health, Safety and Environment Department of CNOOC. From November 2017 to March 2021, he served as head of emergency management and head of midstream/Downstream safety at Quality, Health, Safety and Environment Department of CNOOC (CNOOC Limited). Since March 2021, he has been serving as the deputy general manager at Quality, Health, Safety and Environment Department of CNOOC (CNOOC Limited).

Subject to the approval of their appointments as the non-executive Directors by the Shareholders at the EGM, Ms. Shao and Mr. Yang will enter into a service contract with the Company, respectively. The Board will be authorised by the Shareholders to determine their remunerations with reference to recommendation by the remuneration committee of the Board while taking into consideration of their qualifications, abilities, responsibilities and experience. The Company will disclose the remuneration of the Directors in its annual report each year.

Save as disclosed above, Ms. Shao and Mr. Yang did not hold any directorships in any other listed companies in the past three years and they (i) had no relationship with any Directors, Supervisors, senior management or substantial or controlling Shareholders of the Company; (ii) had no interest in any shares of the Company within the meaning of Part XV of the SFO; and (iii) held no other positions with the Company or other members of the Group.

LETTER FROM THE BOARD

Save as disclosed in this circular, Ms. Shao and Mr. Yang have confirmed that there are no other matters that need to be brought to the attention of the Shareholders, and there is no other information in relation to their proposed appointments as the non-executive Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

IV. PROPOSED APPOINTMENT OF SUPERVISOR

The Supervisory Committee proposed to appoint Mr. Zhang Bing (“**Mr. Zhang**”) as a Supervisor representing the Shareholders. His term of office will commence from the date of approval of his appointment by the Shareholders at the EGM and shall last until a new session of the Supervisors is approved by the Shareholders at the 2023 annual general meeting of the Company. The appointment of Mr. Zhang is subject to the approval of the Shareholders at the EGM.

The biographical details of Mr. Zhang are set out as below:

Mr. Zhang Bing, born in 1971, graduated from the Third Department of PLA University of Foreign Language (中國人民解放軍外國語學院) in July 1993, with a bachelor’s degree in arts, majoring in English. In June 2003, he obtained a master’s degree in International Law from the University of International Business and Economics (對外經濟貿易大學). He possesses the title of Translator (Intermediate). From July 1993 to September 2003, he served in the military. From September 2003 to March 2010, he served as contract legal advisor and overseas cooperation manager at Legal Department of CNOOC China Limited. From March 2010 to August 2012, he served as the head of the Cooperation and Mergers Division at Legal Department of CNOOC. From August 2012 to June 2018, he served as manager and chief legal advisor at Legal Department of CNOOC International Limited (中國海洋石油國際有限公司). Since June 2018, he has been serving as the deputy general manager at Legal Compliance Department, deputy director at Legal Support Center, and deputy general manager at Legal and Foreign Affairs Department of CNOOC (CNOOC Limited).

Subject to the approval of his appointment by the Shareholders, Mr. Zhang will enter into a service contract with the Company. The Board will be authorised by the Shareholders, and the remuneration committee of the Board will be further delegated the responsibility by the Board to determine his remuneration according to his qualifications, abilities, responsibilities and experience. The Company will disclose the remuneration of the Supervisors in its annual report each year.

Save as disclosed above, Mr. Zhang did not hold any directorships in any other listed companies in the past three years and he (i) had no relationship with any Directors, Supervisors, senior management or substantial or controlling Shareholders of the Company; (ii) had no interest in any shares of the Company within the meaning of Part XV of the SFO; and (iii) held no other positions with the Company or other members of the Group.

Save as disclosed in this circular, Mr. Zhang has confirmed that there is no other matter that needs to be brought to the attention of the Shareholders, and there is no other information in relation to his proposed appointment as a Supervisor that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

LETTER FROM THE BOARD

V. RECOMMENDATION

Based on the relevant information disclosed herein, the Directors (including the independent non-executive Directors) believe that (1) the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement and the Investment and Wealth Management Cooperation Framework Agreement, and the Non-exempted Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and (2) the terms thereof together with the Proposed Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

For the purpose of the EGM, the Board has established the Independent Board Committee to consider and advise the Independent Shareholders with respect to (1) the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement, the Investment and Wealth Management Cooperation Framework Agreement, and the Non-exempted Continuing Connected Transactions, and (2) the Proposed Caps. The Company has also appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee in relation to the the New Natural Gas Sale and Purchase Framework Agreement, CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement, the Investment and Wealth Management Cooperation Framework Agreement, the Non-exempted Continuing Connected Transactions and the Proposed Caps.

The letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 64 of this circular.

Your attention is drawn to the letter from the Independent Board Committee which is set out on pages 33 to 34 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that (1) the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement, the Investment and Wealth Management Cooperation Framework Agreement, and the Non-exempted Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and (2) the terms thereof together with the Proposed Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

The Directors consider that the resolutions mentioned above (including the Non-exempted Continuing Connected Transactions, the proposed appointment of non-executive Directors and the proposed appointment of Supervisor) are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

VI. EGM

The Company will convene an EGM to consider and, if thought fit, to approve, among other things:

1. the New Natural Gas Sale and Purchase Framework Agreement entered into between the Company and CNOOC International Trade, the continuing connected transactions contemplated thereunder, and the proposed annual caps for 2024 to 2026 for such transactions;
2. the CNOOC Comprehensive Services and Product Sales Agreement entered into between the Company and CNOOC, the continuing connected transactions contemplated thereunder, and the proposed annual caps for 2024 to 2026 for such transactions;
3. the Fudao Comprehensive Services and Product Sales Agreement entered into between the Company and Fudao Chemical, the continuing connected transactions contemplated thereunder, and the proposed annual caps for 2024 to 2026 for such transactions;
4. the Investment and Wealth Management Cooperation Framework Agreement entered into between the Company and Zhonghai Trust, the continuing connected transactions contemplated thereunder, and the proposed annual caps for 2024 to 2026 for such transactions;
5. the appointment of Ms. Shao Lihua and Mr. Yang Dongzhao as non-executive Directors, to authorise Mr. Hou Xiaofeng, the executive Director, to sign the relevant service contracts on behalf of the Company with Ms. Shao Lihua and Mr. Yang Dongzhao, and to authorise the Board to determine their remuneration based on the recommendation by the remuneration committee of the Board; and
6. the appointment of Mr. Zhang Bing as a Supervisor representing the Shareholders, to authorise Mr. Hou Xiaofeng, the executive Director, to sign the relevant service contract on behalf of the Company with Mr. Zhang Bing, and to authorise the Board, which in turn will further delegate to the remuneration committee of the Board to determine his remuneration.

LETTER FROM THE BOARD

At the EGM, CNOOC and its associates will abstain from voting with respect to the Non-exempted Continuing Connected Transactions. As at the Latest Practicable Date, the voting rights attached to 2,738,999,512 Domestic Shares were controlled by CNOOC and such number of Shares represented approximately 59.41% of the issued share capital of the Company. Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquires, no other Shareholder has a material interest in the Non-exempted Continuing Connected Transactions, and no other Shareholder is required to abstain from voting to approve the Non-exempted Continuing Connected Transactions (including the Proposed Caps) at the EGM.

The notice of the EGM to be held at 9:00 a.m. on Friday, 22 December 2023 is set out on pages 68 to 70 of this circular. A reply slip and a form of proxy for use at the EGM are also enclosed.

Whether or not you are able to attend the EGM, you are strongly advised to complete and sign the enclosed form of proxy, in accordance with the instructions printed thereon, and to lodge them with the Company's Secretary Office of the Board in China (for Domestic Shareholders) at Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC or the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders), at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM (or any adjournment thereof) (i.e., by 9:00 a.m. on Thursday, 21 December 2023). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

VII. A POLL AT EXTRAORDINARY GENERAL MEETING

In accordance with the requirement of Rule 13.39(4) of the Listing Rules, all resolutions to be considered, and if thought fit, to be passed at the EGM, shall be passed by way of a poll.

VIII. OTHER INFORMATION

Your attention is drawn to the letter from Gram Capital which contains its advice to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the additional information set out in the appendix to this circular and the notice of the EGM dated 7 November 2023.

By Order of the Board
China BlueChemical Ltd.*
Kuang Xiaobing
Company Secretary

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

(Stock Code: 3983)

7 November 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 7 November 2023 (the “**Circular**”) despatched to the shareholders of the China BlueChemical Ltd. of which this letter forms part. Unless the context otherwise requires, terms and expressions defined in the Circular shall have the same meanings in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on the fairness and reasonableness with respect to (1) the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement, the Investment and Wealth Management Cooperation Framework Agreement and the Non-exempted Continuing Connected Transactions, and (2) the Proposed Caps. Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on those aspects of the above agreements, the Non-exempted Continuing Connected Transactions and the Proposed Caps.

We wish to draw your attention to the letter from the Board set out on pages 6 to 32 of the Circular and the letter from Gram Capital containing its advice to us set out on pages 35 to 64 of the Circular.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by Gram Capital, we are of the opinion that (1) the New Natural Gas Sale and Purchase Framework Agreement, the CNOOC Comprehensive Services and Product Sales Agreement, the Fudao Comprehensive Services and Product Sales Agreement, the Investment and Wealth Management Cooperation Framework Agreement and the Non-exempted Continuing Connected Transactions are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and (2) the terms thereof together with the Proposed Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the above agreements, the Non-exempted Continuing Connected Transactions and the Proposed Caps for each relevant type of the Non-exempted Continuing Connected Transactions.

Yours faithfully,

Xie Dong, Yu Changchun and Lin Feng
Members of Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempted Continuing Connected Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

7 November 2023

*To: The independent board committee and the independent shareholders of China BlueChemical Ltd.**

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under (i) the New Natural Gas Sale and Purchase Framework Agreement (the “**Natural Gas Purchase Transactions**”); (ii) the CNOOC Comprehensive Services and Product Sales Agreement (the “**CNOOC Service and Product Transactions**”); (iii) the Fudao Comprehensive Services and Product Sales Agreement (the “**Fudao Service and Product Transactions**”); and (iv) the Investment and Wealth Management Cooperation Framework Agreement (the “**Investment Transactions**”) (collectively, the Non-exempted Continuing Connected Transactions), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 7 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, as (i) the Natural Gas Sale and Purchase Agreements; (ii) the comprehensive services and product sales framework agreement dated 23 October 2020 entered into between the Company and CNOOC; and (iii) the comprehensive services and product sales framework agreement dated 18 November 2022 entered into between the Company and Fudao Chemical, and their respective annual caps will expire on 31 December 2023, on 18 October 2023 (the “**Announcement Date**”), the Group entered into (i) the New Natural Gas Sale and Purchase Framework Agreement; (ii) the CNOOC Comprehensive Services and Product Sales Agreement; and (iii) the Fudao Comprehensive Services and Product Sales Agreement, and set their respective annual caps for the three years ending 31 December 2026.

On even date, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Zhonghai Trust, pursuant to which Zhonghai Trust will provide to the Group a range of investment products and certain investment cooperation for a term of three years commencing on 1 January 2024 and expire on 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the Non-exempted Continuing Connected Transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Investment Transactions also constitute discloseable transactions of the Company, and are subject to announcement requirement under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising Mr. Xie Dong, Mr. Yu Changchun and Mr. Lin Feng (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Non-exempted Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Non-exempted Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Non-exempted Continuing Connected Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to (i) major and connected transactions and continuing connected transactions of the Company, details of which were set out in the Company's announcements dated 30 June 2022 and 28 March 2023; and (ii) continuing connected transactions of the Company, details of which are set out in the Company's circular dated 9 December 2022. Save for the aforesaid engagements, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagements were only independent financial adviser engagements and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Non-exempted Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CNOOC, CNOOC International Trade, Fudao Chemical, Zhonghai Trust or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-exempted Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-exempted Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group mainly engages in the developments, production and sales of fertilisers (including urea, phosphate fertiliser and compound fertiliser) and chemical products (primarily methanol and acrylonitrile).

Set out below is a summary of the Group's financial information for the two years ended 31 December 2022 and for the six months ended 30 June 2023 (together with comparative figures), as extracted from the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report") and the Company's interim report for the six months ended 30 June 2023 (the "2023 Interim Report"):

	For the six months ended 30 June 2023 ("1H2023") RMB'000 (unaudited)	For the six months ended 30 June 2022 ("1H2022") RMB'000 (unaudited)	Year-on-year change %	For the year ended 31 December 2022 ("FY2022") RMB'000 (audited)	For the year ended 31 December 2021 ("FY2021") RMB'000 (audited)	Year-on-year change %
Revenue	6,175,701	7,370,785	(16.21)	14,279,054	13,398,008	6.58
– Urea	2,520,008	2,486,437	1.35	4,968,600	4,352,870	14.15
– Methanol	1,399,979	1,738,141	(19.46)	3,511,267	3,213,056	9.28
– Phosphorus and compound fertilizer	1,193,639	1,781,910	(33.01)	3,267,883	2,814,900	16.09
– Others	1,062,075	1,364,297	(22.15)	2,531,304	3,017,182	(16.10)
Gross profit	1,063,617	1,408,050	(24.46)	2,536,647	2,936,409	(13.61)
Profit for the year/period	1,725,473	1,046,026	64.96	1,798,732	1,641,435	9.58

As depicted in the above table, the Group's revenue increased from approximately RMB13.4 billion for FY2021 to approximately RMB14.3 billion for FY2022, representing an increase of approximately 6.58%. With reference to the 2022 Annual Report, such increase was primarily attributable to the year-on-year significant increase in selling prices of the Group's urea and phosphate and compound fertilisers. Despite the increase in revenue, the Group's gross profit decreased by approximately 13.61% for FY2022 as compared to that for FY2021. With reference to the 2022 Annual Report, such decrease was primarily attributable to (i) the significant increase in raw material prices of urea and phosphate and compound fertilisers in 2022 which resulted in the increase in costs exceeding the increase in sales prices; and (ii) the increase in costs of polyoxymethylene and the decrease in sales prices, partially offset by the increase in production and sales volume of methanol which resulted in the corresponding increase in gross profit of methanol.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding the foregoing, the Group's profit for FY2022 increased by approximately 9.58% as compared to that for FY2021. With reference to the 2022 Annual Report, such increase was primarily attributable to (i) the turnaround from other net losses for FY2021 to other net gains for FY2022; (ii) the substantial decrease in other expenses; (iii) the substantial decrease in impairment losses; (iv) the substantial decrease in income tax expenses, partially offset by the absence of (i) gain on disposal of a subsidiary and an associate; and (ii) gain on deemed disposal of joint ventures, during FY2022.

The Group's revenue for 1H2023 was approximately RMB6.2 billion, representing a year-on-year decrease of approximately 16.21% as compared to that for 1H2022. With reference to the 2023 Interim Report, such decrease was primarily attributable to the year-on-year decrease in the selling prices of the Group's urea, methanol and phosphate and compound fertilisers.

Despite the aforesaid decrease in revenue and the corresponding decrease in gross profit, the Group's profit for 1H2023 increased by approximately 64.96% as compared to that for 1H2022. With reference to the 2023 Interim Report, such increase was primarily due to the recognition of gain on deemed disposal of a subsidiary during 1H2023.

Information on CNOOC and its associates

With reference to the Board Letter:

- CNOOC is the controlling shareholder of the Company and is one of largest state-owned oil companies in the PRC specialising 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.
- CNOOC International Trade mainly engages in wholesales of crude oil and refined products. CNOOC International Trade is a subsidiary of CNOOC Limited, whose controlling shareholder is CNOOC.
- Fudao Chemical mainly engages in the production, manufacturing and sales of acrylonitrile products and methyl methacrylate products and is a non-wholly owned subsidiary of the Company indirectly held as to 51% by the Company and 49% by CNOOC.
- Zhonghai Trust is a non-wholly owned subsidiary of CNOOC and a state-owned non-banking financial institution jointly established by CNOOC and CITIC Limited. Zhonghai Trust is engaged in the trust business approved by the State Administration of Financial Supervision and Administration and its own businesses include trust loans, credit asset securitisation, structured securities investment, private equity funds, equity trusts and financial consultancy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for and benefits of the Non-exempted Continuing Connected Transactions

With reference to the Board Letter, the Company is one of the major subsidiaries of CNOOC which is one of the largest petroleum companies in China. In view of the extensive resources and experience of CNOOC Group, it is desirable for the Group to seek supports and maintain business relationships with CNOOC Group, and the transactions contemplated thereunder will secure stable and reliable supply of raw material and services for the Company's production.

As advised by the Directors, the Group established long-term business relationship with the CNOOC Group. The products to be supplied by the CNOOC Group under the New Natural Gas Sale and Purchase Framework Agreement and the CNOOC Comprehensive Services and Product Sales Agreement are principal raw materials for the Group's operation; and the supply of products by the Group under the CNOOC Comprehensive Services and Product Sales Agreement shall provide a stable source of income for the Group. Furthermore, the products to be supplied by the Group under the Fudao Comprehensive Services and Product Sales Agreement are raw materials for Fudao Chemical's production of acrylonitrile products and methyl methacrylate products, which shall in turn be supplied by Fudao Chemical to the Group.

As illustrated in the section headed "Information on the Group" above, the Group's revenue from urea, methanol; and phosphate and compound fertilizers accounted for approximately 77.48%, 82.27% and 82.80%, in aggregate, for FY2021, FY2022 and 1H2023 respectively. The mutual supply of products and provision of comprehensive services between the Group and CNOOC Group are part and parcel to the Group's operation.

In respect of the Investment Transactions, we noted from the Board Letter that the reasonable and effective use of temporary idle funds of the Group will enhance its capital gain. As noted from the 2023 Interim Report, as at 30 June 2023, the Group's cash and cash equivalents and time deposit with original maturity over three months were approximately RMB10.96 billion in aggregate (the "**Monetary Fund**"); while the Group's current liabilities were approximately RMB3.09 billion. The Group's Monetary Fund represents approximately 3.55 times of the Group's current liabilities as at 30 June 2023. Based on the aforesaid, we concur with the Directors that the effective use of the Group's temporary idle funds through the Investment Transactions may enhance capital gains of the Group.

As confirmed by the Directors, as the Non-exempted Continuing Connected Transactions have been or will be entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Directors are of the view that the Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the above, we are of the view that the Non-exempted Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1. Principal terms of the Natural Gas Purchase Transactions

With reference to the Board Letter, in order to secure stable and reliable supply of natural gas for the Company's production of fertilizers and chemical products and streamline the arrangements as outlined in the sub-section headed "New Natural Gas Sale and Purchase Framework Agreement" under the section headed "Summary of the Non-exempted Continuing Connected Transactions" of the Board Letter, on 18 October 2023, the Company entered into the New Natural Gas Sale and Purchase Framework Agreement with CNOOC International Trade, pursuant to which CNOOC International Trade may sell to the Group and the Group may purchase from CNOOC International Trade natural gas, including but not limited to long-term sale and purchase of natural gas from Dongfang and Ledong natural gas fields.

The term of the New Natural Gas Sale and Purchase Framework Agreement will commence on 1 January 2024 and expire on 31 December 2026.

Pricing principles

Under the New Natural Gas Sale and Purchase Framework Agreement, the price of Natural Gas Purchase Transactions shall be determined through fair negotiation and in accordance with normal commercial terms or better terms, with reference to general local market conditions (including sales volume, contract term, service volume, overall customer relationship, other market factors), and shall be determined in accordance to the mechanism and sequence as follows: (1) when relevant government authorities implement a government-prescribed price in relation to the transactions contemplated under the New Natural Gas Sale and Purchase Framework Agreement during the term of the New Natural Gas Sale and Purchase Framework Agreement, the government-prescribed price; or (2) if there is no government-prescribed price, the market price (including local, national or international market price). The market price as provided in the New Natural Gas Sale and Purchase Framework Agreement shall be determined through fair negotiation between the Company (and its associates) and CNOOC International Trade (and its subsidiaries) according to market principles:

- a. for domestic natural gas (excluding long-term domestic natural gas sales) and by-products: by referring to the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time on its website and the price of other competing gas sources in the local market; or
- b. for long-term domestic natural gas sales: by referring to the relevant provincial/municipal gate station prices as prescribed and published by the NDRC from time to time and/or the prices of two to three major independent suppliers (depending on whether they have operated business in the specific local market), which have similar business with CNOOC International Trade (including its subsidiaries from time to time) and offer similar products to the Company (and its associates) or other purchasers, and also taking into account factors such as the specific quality of the natural gas.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence, the Company provided us with a summary of the Natural Gas Purchase Transactions for FY2021, FY2022 and for the eight months ended 31 August 2023 (“8M2023”). From the aforesaid summary, we randomly selected and obtained three sets of transactions documents in respect of Natural Gas Purchase Transactions during FY2021, FY2022 and 8M2023. Given that the sampled transaction documents were randomly selected by us and each set of transaction documents represents the Group’s purchase of natural gas for a particular month of the year, we consider the sampled transaction documents are fair and representative for us to form our view on the effectiveness of the pricing policy. After comparing the aforesaid transaction documents and the then prevailing market rates of natural gas, we noted that the price charged by the connected persons to the Group were not higher than the then prevailing market rates of natural gas.

With reference to the Board Letter, in order to ensure that the prices of Natural Gas Purchase Transactions are determined on a fair and reasonable basis and in accordance with the pricing principles, the Company implemented certain pricing procedures relating to the Natural Gas Purchase Transactions. Having considered that the designated department of the Group will review and assess whether the rates and terms set out in the specific agreement are consistent with the executed framework agreement before entering into a specific connected transaction agreement, we consider the effective implementation of the pricing procedures will help to ensure the fair pricing of the Natural Gas Purchase Transactions and the compliance of the pricing principles.

Proposed annual caps

Set out below are (i) the historical transaction amounts of Natural Gas Purchase Transactions for two years ended 31 December 2022 and 8M2023, together with the historical/existing annual caps and the utilisation rates; and (ii) the proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 RMB '000	For the year ended 31 December 2022 RMB '000	For the year ending 31 December 2023 ("FY2023") RMB '000
Historical transaction amounts	2,622,160	3,255,157	2,068,117 <i>(Note)</i>
Historical/existing annual caps	2,814,157	3,300,000	3,480,000
Utilisation rate (%)	93.18	98.64	N/A
	For the year ending 31 December 2024 ("FY2024") RMB '000	For the year ending 31 December 2025 ("FY2025") RMB '000	For the year ending 31 December 2026 ("FY2026") RMB '000
Proposed annual caps	6,066,047	6,066,047	6,066,047

Note: The figure is for 8M2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The proposed annual caps were estimated based on various factors, details of which are set out in the sub-section headed “Historical Transaction Figures and the Proposed Annual Caps with respect to Non-exempted Continuing Connected Transactions” under the section headed “II. Non-exempted Continuing Connected Transactions” of the Board Letter.

As illustrated above, the utilisation rates of the historical annual caps were approximately 93.18% for FY2021 and 98.64% for FY2022 and, the historical transaction amounts of Natural Gas Purchase Transactions for 8M2023 accounted for approximately 59.43% of the existing annual cap for FY2023. The historical annual caps were utilized at high levels.

For our due diligence purpose, we obtained (i) breakdown of the historical transaction amounts for the three years ended 31 December 2022 and for 8M2023; (ii) breakdown of the estimated transaction amount for the four-month period from 1 September 2023 up to 31 December 2023 as formulated by the Company; and (iii) calculations of the proposed annual caps for the three years ending 31 December 2026.

We noted that (i) the Group procured approximately 3.6 million tons of natural gas, approximately 3.4 million tons of natural gas and approximately 3.4 million tons of natural gas, from connected persons for FY2020, FY2021 and FY2022, respectively; and (ii) the Group is expected to procure approximately 3.8 million tons of natural gas from CNOOC International Trade for each of the three years ending 31 December 2026, which, with reference to the Board Letter, represented the maximum amount of gas consumption based on highest possible operation days of each of the Group’s production plants in Hainan.

In respect of the estimated unit costs of natural gas, we noted that constant unit costs were adopted for each of the relevant gas fields throughout the three years ending 31 December 2026, which represented an increase of approximately 17% to the respective historical highest unit cost of natural gas from the relevant gas fields during the three years ended 31 December 2022 and 8M2023. We understood from the Directors that such expected increase in unit cost was determined with reference to the average increase in highest costs of natural gas of the relevant gas fields during the three years ended 31 December 2022 and 8M2023. We noted that the estimated average unit cost of natural gas adopted in formulating the proposed annual caps was slightly higher than the latest ex-factory price (tax exclusive) of onshore and imported pipeline gas in Hainan as promulgated by the National Development and Reform Commission of the PRC as at the Announcement Date. As such, we do not doubt the reasonableness of the estimated unit costs of natural gas adopted in formulating the proposed annual caps.

As noted from the Board Letter, a 10% buffer was incorporated in the proposed annual caps for fluctuation in relevant commodity prices, future operations needs of the Group and possible market change. We also noted from other Hong Kong listed companies’ circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong. As such, we do not doubt the reasonableness of the buffer of 10%.

In light of the above, we consider the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of costs to be incurred from the Natural Gas Purchase Transactions. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Natural Gas Purchase Transactions will correspond with the proposed annual caps.

Having considered the principal terms of the Natural Gas Purchase Transactions above, we are of the view that the terms of the Natural Gas Purchase Transactions (including the proposed annual caps) are on normal commercial terms and are fair and reasonable.

2. Principal terms of the CNOOC Service and Product Transactions

With reference to the Board Letter, on 18 October 2023, the Company entered into the CNOOC Comprehensive Services and Product Sales Agreement with CNOOC, pursuant to which:

- a. the Group has agreed to provide comprehensive services to CNOOC Group (including but not limited to provision of office premises/facilities, labour services, technical training, project management, logistics management, accommodation/catering, port management, logistics assistance, transportation services, material supplies for utility system, etc.) (the “**CNOOC Service (Provision) Transactions**”);
- b. CNOOC Group has agreed to provide comprehensive services to the Group (including but not limited to engineering services, telecommunication and network services, construction services, management system/technology development, equipment leasing, equipment maintenance, project management, labour services, materials/equipment procurement, transportation services, technical training, catering, accommodation, medical, insurance services, conference/conference affair services, consultancy services, logistics management, etc.) (the “**CNOOC Service (Procurement) Transactions**”); and
- c. the Group has agreed to sell products (including but not limited to urea, phosphate fertiliser, methanol, potassium fertiliser, formaldehyde, ammonia, compound fertiliser, acrylonitrile, etc. and such other products as may be sold by the Group to the CNOOC Group under the CNOOC Comprehensive Services and Product Sales Agreement) to CNOOC Group (the “**CNOOC Product (Sale) Transactions**”, together with the CNOOC Service (Provision) Transactions, the “**CNOOC Service and Product (Sale) Transactions**”) and CNOOC Group has agreed to sell products (including but not limited to potassium fertiliser, medicament and natural gas etc.) to the Group (the “**CNOOC Product (Purchase) Transactions**”, together with the CNOOC Services (Procurement) Transactions, the “**CNOOC Service and Product (Purchase) Transactions**”).

The term of the CNOOC Comprehensive Services and Product Sales Agreement will commence on 1 January 2024 and expire on 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing principles

Under the CNOOC Comprehensive Services and Product Sales Agreement, the provision of services, supplies and products by the Group to CNOOC Group will be conducted on normal commercial terms and conditions which shall be no more favourable than those offered to independent third parties by the Group, the provision of services, supplies and products by CNOOC Group to the Group will be conducted on normal commercial terms and conditions which shall be no less favourable than those offered by independent third parties to the Group and no less favourable than those offered to independent third parties by CNOOC Group, and the prices thereunder will be determined in accordance with the pricing principles set out in the CNOOC Comprehensive Services and Product Sales Agreement as follows:

1. As to provision of services, supplies and products by the Group to CNOOC Group:
 - a. not lower than the prices charged by the Group to other comparable independent third parties for the same type of services, supplies or products; or
 - b. with reference to the prices for providing or supplying the same type of services, supplies or products in the same areas charged under normal transaction condition by comparable independent third parties; or
 - c. with reference to the prices for providing or supplying the same type of services, supplies or products in the adjacent areas charged under normal transaction condition by comparable independent third parties.

2. As to provision of services, supplies and products by CNOOC Group to the Group:
 - a. not higher than the prices charged by CNOOC Group to its associates or other comparable independent third parties (if any) for the same type of services, supplies or products (whichever is lower); or
 - b. with reference to the prices for providing or supplying the same type of services, supplies or products in the same areas charged under normal transaction condition by comparable independent third parties; or
 - c. with reference to the prices for providing or supplying the same type of services, supplies or products in the adjacent areas charged under normal transaction condition by comparable independent third parties.

Nevertheless, for the above-mentioned services, supplies and products, when relevant government authorities implement a government-prescribed price in relation to the CNOOC Service and Product Transactions during the term of the CNOOC Comprehensive Services and Product Sales Agreement, the relevant prices shall implement the government-prescribed price.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For our due diligence, the Company provided us with (i) lists of CNOOC Product (Sale) Transactions and CNOOC Product (Purchase) Transactions for FY2021, FY2022 and 8M2023; (ii) summaries of CNOOC Service (Provision) Transactions and CNOOC Service (Procurement) Transactions for FY2021, FY2022 and for 8M2023. From the aforesaid lists and summaries (where applicable), we randomly selected and obtained (i) three sets of transactions documents in respect of the CNOOC Product (Sale) Transactions during FY2021, FY2022 and 8M2023, together with three sets of transaction documents in respect of the sale of similar products to independent third parties during FY2021, FY2022 and FY2023 for comparison; (ii) three sets of transaction documents in respect of the CNOOC Product (Purchase) Transactions during FY2021, FY2022 and 8M2023; (iii) three sets of transaction documents in respect of CNOOC Service (Provision) Transactions and CNOOC Service (Procurement) Transactions, together with the relevant internal approval records, for FY2021, FY2022 and 8M2023. Given that the sampled transaction documents were randomly selected by us and the underlying product or service of the sampled transaction documents each represented a substantial amount of the respective type of transactions for the respective year/period, we consider the sampled transaction documents are fair and representative for us to form our view on the effectiveness of the pricing policy.

Based on the aforesaid documents as provided by the Company, we noted that:

- (i) the unit price of the relevant commodities under the CNOOC Product (Sale) Transactions were no less favourable to the Group than those sold by the Group to independent third parties;
- (ii) the unit price of the relevant commodities under the CNOOC Product (Purchase) Transactions were not higher than their respective prevailing market prices; and
- (iii) prior to the entering of the CNOOC Service (Provision) Transactions and CNOOC Service (Procurement) Transactions, the terms of which were assessed by various departments of the Group (including, where applicable, the relevant operational department, the legal department, accounting department) and were approved by the relevant department head and/or the general manager of the Company.

With reference to the Board Letter, in order to ensure that the price of the CNOOC Service and Product Transactions is determined on a fair and reasonable basis and in accordance with the pricing principles, the Company implemented certain pricing procedures relating to the CNOOC Service and Product Transactions. Having considered that the designated department of the Group will review and assess whether the rates and terms set out in the specific agreement are consistent with the executed framework agreement before entering into a specific connected transaction agreement, we consider the effective implementation of the pricing procedures will help to ensure the fair pricing of the CNOOC Service and Product Transactions and compliance of the pricing principles.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Proposed annual caps

Set out below are (i) the historical transaction amounts of CNOOC Service and Product Transactions for the two years ended 31 December 2022 and 8M2023, together with the historical/existing annual caps and the utilisation rates; and (ii) the proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Historical transaction amounts of CNOOC Service and Product (Purchase) Transactions	450,264	476,866	842,326 <i>(Note)</i>
Historical/existing annual caps for CNOOC Service and Product (Purchase) Transactions	893,208	900,221	2,620,000
Utilisation rate (%)	50.41	52.97	N/A
Historical transaction amounts of CNOOC Service and Product (Sale) Transactions	599,162	595,173	551,609 <i>(Note)</i>
Historical/existing annual caps for CNOOC Service and Product (Sale) Transactions	766,115	795,696	810,356
Utilisation rate (%)	78.21	74.80	N/A
	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps:			
– CNOOC Service and Product (Purchase) Transactions	3,965,531	4,119,906	4,291,001
– CNOOC Service and Product (Sale) Transactions	1,644,621	1,811,923	1,897,441

Note: The figure is for 8M2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The proposed annual caps were estimated based on various factors, details of which are set out in the sub-section headed “Historical Transaction Figures and the Proposed Annual Caps with respect to Non-exempted Continuing Connected Transactions” under the section headed “II. Non-exempted Continuing Connected Transactions” of the Board Letter.

As illustrated above:

- (i) the utilisation rates of the historical annual caps for the CNOOC Service and Product Purchase Transactions were approximately 50.41% for FY2021 and 52.97% for FY2022 and, the historical transaction amounts of CNOOC Service and Product Purchase Transactions for the 8M2023 accounted for approximately 32.15% of the existing annual cap for FY2023; and
- (ii) the utilisation rates of the historical annual caps for the CNOOC Service and Product Sales Transactions were approximately 78.21% for FY2021 and 74.80% for FY2022 and, the historical transaction amounts of CNOOC Service and Product Sales Transactions for the 8M2023 accounted for approximately 68.07% of the existing annual cap for FY2023.

CNOOC Service and Product (Purchase) Transactions

For our due diligence purpose, we obtained (i) breakdown of the historical transaction amounts for the two years ended 31 December 2022 and for 8M2023; (ii) breakdown of the estimated transaction amounts for FY2023; (iii) breakdown of the existing annual caps for the three years ending 31 December 2023 formulated by the Company; and (iv) calculation of the proposed annual caps of CNOOC Service and Product (Purchase) Transactions for the three years ending 31 December 2026, formulated based on (a) the estimated transaction amounts of CNOOC Service (Procurement) Transactions; (b) the estimated transaction amounts of CNOOC Product (Purchase) Transactions, based on the estimated quantity of products to be procured by the Group and their respective unit costs; and (c) buffer of 10%.

We noted that the historical transaction amount for 8M2023 and the estimated transaction amount for FY2023 are both substantially less than the existing annual cap for FY2023. As advised by the Directors, the estimated low utilisation of the existing annual cap for FY2023 was caused by that the Group’s acrylonitrile plant commenced production and running in 2023, while the existing annual cap for FY2023 was determined based on theoretical maximum amount of consumption of raw materials on a full-year running basis without considering factors such as the fact that the production volume of the acrylonitrile plant had not reached maximum production capacity during the early stage of running.

We noted from the calculation of the proposed annual caps that the estimated transaction amounts of CNOOC Product (Purchase) Transactions accounted for approximately 89%, 90% and 90% of the total estimated transaction amounts for FY2024, FY2025 and FY2026, respectively; while the estimated transaction amount in relation to the procurement of potassium fertilisers, propylene and acetone by the Group in aggregate accounted for over 80% of the estimated transaction amounts of CNOOC Product (Purchase) Transactions for each of the three years ending 31 December 2026.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Procurement of potassium fertilisers, propylene and acetone

We noted from the calculation that the Group expects to procure:

- (i) 100,000 tons of potassium fertilisers from CNOOC Group for each of the three years ending 31 December 2026;
- (ii) approximately 230,000 tons of propylene from CNOOC Group for each of the three years ending 31 December 2026; and
- (iii) approximately 50,000 tons of acetone from CNOOC Group for each of the three years ending 31 December 2026.

We understood from the Directors that (i) potassium fertilisers are used for further processing into phosphate fertilisers and compound fertilisers; and (ii) propylene and acetone are used for further processing into acrylonitrile, acetonitrile and MMA (products of Fudao Chemical). The aforesaid estimated procurement quantities were determined with reference to the Group's annual demand for potassium fertilisers, propylene and acetone under full production capacity. As such, we do not doubt the reasonableness of the estimated procurement quantity of potassium fertilisers, propylene and acetone for each of the three years ending 31 December 2026.

We noted from the calculation that the estimated unit costs of potassium fertilisers, propylene and acetone were determined with reference to the Group's historical highest purchase price of the respective products during the two years ended 31 December 2022 and 8M2023, with estimated growth rate of 5% adopted for each of the three years ending 31 December 2026 to cater for future price fluctuation. To assess the fairness and reasonableness of the estimate unit price adopted in the calculation of the proposed annual caps, we searched for (i) the historical spot price of potassium fertilisers for the approximately two-year period commencing from 8 October 2021 up to and including the Announcement Date (the "**Review Period**"); (ii) historical spot price of propylene during the Review Period; and (iii) historical spot price of acetone during the Review Period.

Based on our research, we noted that:

- (i) the spot price of potassium fertilisers ranged from RMB2,360 per ton to RMB5,310 per ton during the Review Period;
- (ii) the spot price of propylene ranged from RMB6,050 per ton to RMB9,700 per ton during the Review Period; and
- (iii) the spot price of acetone ranged from RMB4,500 per ton to RMB7,600 per ton during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The estimated unit prices of potassium fertilisers, propylene and acetone adopted in the calculation of proposed annual caps for each of the three years ending 31 December 2026 were within their respective spot price range during the Review Period. We understood from the Directors that potassium fertilisers, propylene and acetone are by-products of crude oil and their price movements typically coincide with changes in crude oil prices, which can be affected by many factors such as supply and demand prospects, production costs and other macroeconomic impact.

Given that the estimated unit prices of potassium fertilisers, propylene and acetone adopted in the calculation of proposed annual caps were within their respective spot price range during the Review Period, which reflect their market prices in recent years, we do not doubt the reasonableness of the estimated unit prices of the respective products.

In light of the above, we do not doubt the fairness and reasonableness of the estimated procurement amount of potassium fertilisers, propylene and acetone for the three years ending 31 December 2026.

Buffer

As noted from the Board Letter, a 10% buffer was incorporated in the proposed annual caps for fluctuation in relevant commodity prices, future operations needs of the Group and possible market change. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong. As such, we do not doubt the reasonableness of the buffer of 10%.

In light of the above, we consider the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

CNOOC Service and Product (Sale) Transactions

For our due diligence purpose, we obtained (i) breakdown of the historical transaction amounts for the two years ended 31 December 2022 and for 8M2023; (ii) breakdown of the estimated transaction amounts for FY2023; (iii) breakdown of the existing annual caps for the three years ending 31 December 2023 formulated by the Company; and (iv) calculation of the proposed annual caps of CNOOC Service and Product (Sale) Transactions for the three years ending 31 December 2026, formulated based on (a) the estimated transaction amounts of CNOOC Service (Provision) Transactions; and (b) the estimated transaction amounts of CNOOC Product (Sale) Transactions, based on the estimated quantity of products to be sold by the Group and their respective unit prices; and (c) buffer of 10%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the calculation of the proposed annual caps that the estimated transaction amounts of CNOOC Product (Sale) Transactions accounted for over 90% of the total estimated transaction amounts for each of the three years ending 31 December 2026; while the estimated transaction amount in relation to the sale of methanol, phosphate fertilisers and compound fertilisers and urea by the Group in aggregate represented approximately 87%, 88% and 88% of the estimated transaction amounts of CNOOC Product (Sale) Transactions for FY2024, FY2025 and FY2026, respectively.

Sale of methanol, phosphate fertilisers and compound fertilisers and urea

We noted from the calculation that the Group expects to sell:

- (i) 225,000 tons of methanol to CNOOC Group for each of the three years ending 31 December 2026;
- (ii) 40,000 tons, 50,000 tons and 50,000 tons of phosphate fertilisers and compound fertilisers to CNOOC Group for FY2024, FY2025 and FY2026, respectively; and
- (iii) 50,000 tons, 60,000 tons and 60,000 tons of urea to CNOOC Group for FY2024, FY2025 and FY2026, respectively.

As noted from the 2022 Annual Report, during FY2022, the Group (i) produced approximately 1.52 million tons of methanol, approximately 0.93 million tons of phosphate fertilisers and compound fertilisers and approximately 1.96 million tons of urea; and (ii) sold approximately 1.51 million tons of methanol, approximately 0.92 million tons of phosphate fertilisers and compound fertilisers and approximately 1.96 million tons of urea.

Based on the above information:

- (i) the estimated quantity of methanol to be sold to CNOOC Group for each of the three years ending 31 December 2026 represented approximately 15% of the Group's annual production and sales volume of methanol for FY2022;
- (ii) the estimated quantity of phosphate fertilisers and compound fertilisers to be sold to CNOOC Group for each of the three years ending 31 December 2026 represented approximately 4% to 5% of the Group's annual production and sales volume of methanol for FY2022; and
- (iii) the estimated quantity of urea to be sold to CNOOC Group for each of the three years ending 31 December 2026 represented approximately 3% of the Group's annual production and sales volume of methanol for FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the calculation that (i) the estimated unit prices of methanol and urea were determined with reference to the Group's historical highest selling price of the respective products during the three years ended 31 December 2022 and 8M2023; and (ii) the estimated unit prices of phosphate fertilisers and compound fertilisers were determined based on the weighted average of the Group's historical highest selling price of monoammonium phosphate, diammonium phosphate and compound fertilisers during the three years ended 31 December 2022 and 8M2023, with estimated growth rate of 5% adopted for each of the three year ending 31 December 2026 to cater for future price fluctuation. To assess the fairness and reasonableness of the estimate unit prices adopted in the calculation of the proposed annual caps, we searched for (i) the historical spot price of methanol (port) during the Review Period; (ii) price index of phosphate fertilisers (including both monoammonium phosphate and diammonium phosphate) and the wholesale price of compound fertilisers during the Review Period; and (iii) the historical spot price of urea (46%) (which are generally used in the agricultural industry as animal feed additive and fertilisers) during the Review Period.

Based on our research, we noted that:

- (i) the historical spot price of methanol ranged from RMB2,060 per ton to RMB4,220 per ton during the Review Period;
- (ii) the price index of monoammonium phosphate ranged from RMB2,459 per ton to RMB4,541 per ton during the Review Period;
- (iii) the price index of diammonium phosphate ranged from RMB3,433 per ton to RMB4,633 per ton during the Review Period;
- (iv) the wholesale price of compound fertilisers ranged from RMB2,943 per ton to RMB3,619 per ton during the Review Period; and
- (v) the historical spot price of urea ranged from RMB2,125 per ton to RMB3,295 per ton during the Review Period.

The estimated unit prices of methanol adopted in the calculation of proposed annual caps for each of the three years ending 31 December 2026 were within the historical spot price range of methanol during the Review Period.

The estimated unit prices of phosphate fertilisers and compound fertilisers (representing the weighted average of the historical highest selling prices of monoammonium phosphate, diammonium phosphate and compound fertilisers with estimated growth rate of 5%) adopted in the calculation of proposed annual caps for each of the three years ending 31 December 2026 were above the price indices of monoammonium phosphate and diammonium phosphate and the wholesale price of compound fertilisers during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The estimated unit prices of urea adopted in the calculation of the proposed annual caps for each of the two years ending 31 December 2025 were within the historical spot price range of methanol during the Review Period; while the estimated unit price of urea adopted in the calculation of the proposed annual cap for FY2026 was above the historical spot price range of urea during the Review Period.

In light of the above, we do not doubt the fairness and reasonableness of the estimated sales amount of methanol, phosphate fertilisers and compound fertilisers and urea for the three years ending 31 December 2026.

Buffer

As noted from the Board Letter, a 10% buffer was incorporated in the proposed annual caps for fluctuation in relevant commodity prices, future operations needs of the Group and possible market change. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong. As such, we do not doubt the reasonableness of the buffer of 10%.

In light of the above, we consider the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the proposed annual caps for the CNOOC Service and Product Transactions are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of revenue to be generated or costs to be incurred from the CNOOC Service and Product Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated or costs to be incurred from the CNOOC Service and Product Transactions will correspond with the proposed annual caps.

Having considered the principal terms of the CNOOC Service and Product Transactions above, we are of the view that the terms of the CNOOC Service and Product Transactions (including the proposed annual caps) are on normal commercial terms and are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Fudao Service and Product Transactions

With reference to the Board Letter, on 18 October 2023, the Company entered into the Fudao Comprehensive Services and Product Sales Agreement with Fudao Chemical, pursuant to which:

- a. the Group has agreed to provide comprehensive services to Fudao Chemical (including but not limited to provision of offices premises/facilities, labour services, technical training, project management, logistics management, accommodation/catering, port management, logistics assistance, transportation services, equipment leasing, equipment maintenance, materials/equipment procurement services, material supplies for utility system, etc.) (the “**Fudao Service (Provision) Transactions**”); and
- b. the Group has agreed to sell products (including but not limited to methanol, liquid ammonia, etc.) to Fudao Chemical (the “**Fudao Product (Sale) Transactions**”, together with the Fudao Service (Provision) Transactions, the “**Fudao Service and Product (Sale) Transactions**”) and Fudao Chemical has agreed to sell products (including but not limited to acrylonitrile, acetonitrile, MMA, etc.) to the Group (the “**Fudao Product (Purchase) Transactions**”).

The term of the Fudao Comprehensive Services and Product Sales Agreement will commence on 1 January 2024 and expire on 31 December 2026.

Pricing principles

Under the Fudao Comprehensive Services and Product Sales Agreement, the provision of services and supplies and sale of products by the Group to Fudao Chemical will be conducted on normal commercial terms and conditions which shall be no more favourable than those offered to independent third parties by the Group, and the sale of products by Fudao Chemical to the Group will be conducted on normal commercial terms and conditions which shall be no less favourable than those offered to the Group by independent third parties and no less favourable those offered to independent third parties by Fudao Chemical, and the prices thereunder will be determined in accordance with the pricing principles set out in the Fudao Comprehensive Services and Product Sales Agreement as follows:

1. As to provision of services and supplies and sale of products by the Group to Fudao Chemical:
 - a. not lower than the prices charged by the Group to other comparable independent third parties for the same type of services, supplies or products; or
 - b. with reference to the prices for providing or supplying the same type of services, supplies or products in the same areas charged on normal terms in the ordinary and usual course of its business by comparable independent third parties; or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- c. with reference to the prices for providing or supplying the same type of services, supplies or products in the adjacent areas charged on normal terms in the ordinary and usual course of its business by comparable independent third parties.
2. As to sale of products by Fudao Chemical to the Group:
 - a. not higher than the prices charged by Fudao Chemical to its associates (other than members of the Group) or other comparable independent third party customers (if any) for the same type of products (whichever is lower); or
 - b. with reference to the prices for supplying the same type of products in the same areas charged under normal transaction condition by comparable independent third party service providers or suppliers; or
 - c. with reference to the prices for supplying the same type of products in the adjacent areas charged under normal transaction condition by comparable independent third party providers or suppliers.

Nevertheless, for the above-mentioned services, supplies and products, when relevant government authorities implement a government-prescribed price in relation to the Fudao Services and Product Transactions during the term of the Fudao Comprehensive Services and Product Sales Agreement, the relevant prices shall implement the government-prescribed price accordingly.

For our due diligence, the Company provided us with (i) lists of Fudao Product (Sale) Transactions and Fudao and Product (Purchase) Transactions for 8M2023; (ii) a summary of Fudao Service (Provision) Transactions for FY2022 and for 8M2023. From the aforesaid lists and summary (where applicable), we randomly selected and obtained (i) one sets of transactions documents in respect of the Fudao Product (Sale) Transactions during 8M2023, together with one set of transaction documents in respect of the sale of similar products to independent third parties during 8M2023 for comparison; (ii) one set of transaction documents in respect of the Fudao Product (Purchase) Transactions during 8M2023; (iii) two sets of transaction documents in respect of Fudao Service (Provision) Transactions, together with the relevant internal approval records for FY2022 and 8M2023. Given that the sampled transaction documents were randomly selected by us and the underlying product or service of the sampled transaction documents each represented a substantial amount of the respective type of transactions for the respective year/period, we consider the sampled transaction documents are fair and representative for us to form our view on the effectiveness of the pricing policy.

Based on the aforesaid documents as provided by the Company, we noted that:

- (i) the unit price of the relevant commodities under the Fudao Product (Sale) Transactions were no less favourable to the Group than those sold by the Group to independent third parties;
- (ii) the unit price of the relevant commodity under the Fudao Product (Purchase) Transactions were not higher than their respective prevailing market prices; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) prior to the entering of the Fudao Service (Provision) Transactions, the terms of which were assessed by various departments of the Group (including, where applicable, the relevant operational department, the legal department, accounting department) and were approved by the relevant department head and/or the general manager of the Company.

With reference to the Board Letter, in order to ensure that the price of the Fudao Service and Product Transactions is determined on a fair and reasonable basis and in accordance with the pricing principles, the Company implemented certain pricing procedures relating to the Fudao Service and Product Transactions. Having considered that the designated department of the Group will review and assess whether the rates and terms set out in the specific agreement are consistent with the executed framework agreement before entering into a specific connected transaction agreement, we consider the effective implementation of the pricing procedures will help to ensure the fair pricing of the Fudao Service and Product Transactions and compliance of the pricing principles.

Proposed annual caps

Set out below are (i) the historical transaction amounts of Fudao Service and Product Transactions for FY2022 and 8M2023, together with the historical/existing annual caps and the utilisation rates; and (ii) the proposed annual caps for the three years ending 31 December 2026:

	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Historical transaction amounts of Fudao Service and Product (Sale) Transactions	48,308	197,606 <i>(Note)</i>
Historical/existing annual caps for Fudao Service and Product (Sale) Transactions	70,000	320,000
Utilisation rate (%)	69.01	N/A
Historical transaction amounts of Fudao Product (Purchase) Transactions	N/A	596,107 <i>(Note)</i>
Existing annual caps for Fudao Product (Purchase) Transactions	N/A	3,130,000
Utilisation rate (%)	N/A	N/A

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Proposed annual caps:			
– Fudao Service and Product (Sale) Transactions	560,881	583,815	607,896
– Fudao Product (Purchase) Transactions	4,215,625	4,426,407	4,647,727

Note: The figure is for 8M2023.

The proposed annual caps were estimated based on various factors, details of which are set out in the sub-section headed “Historical Transaction Figures and the Proposed Annual Caps with respect to Non-exempted Continuing Connected Transactions” under the section headed “II. Non-exempted Continuing Connected Transactions” of the Board Letter.

As illustrated above:

- (i) the utilisation rate of the historical annual cap for the Fudao Service and Product (Sale) Transactions was approximately 69.01% for FY2022 and, the historical transaction amounts of Fudao Service and Product (Sale) Transactions for the 8M2023 accounted for approximately 61.75% of the existing annual cap for FY2023; and
- (ii) the historical transaction amounts of Fudao Product (Purchase) Transactions for the 8M2023 accounted for approximately 19.04% of the existing annual cap for FY2023.

Fudao Service and Product (Sale) Transactions

For our due diligence purpose, we obtained (i) breakdown of the historical transaction amounts for FY2022 and 8M2023; (ii) breakdown of the estimated transaction amount for FY2023; (iii) breakdown of the existing annual caps for the three years ending 31 December 2023 formulated by the Company; and (iv) calculation of the proposed annual caps of CNOOC Service and Product (Sale) Transactions for the three years ending 31 December 2026, formulated based on (a) the estimated transaction amounts of Fudao Service (Provision) Transactions; and (b) the estimated transaction amounts of Fudao Product (Sale) Transactions, based on the estimated quantity of products to be sold by the Group and their respective unit prices; and (c) buffer of 10%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the calculation of the proposed annual caps that the estimated transaction amounts of Fudao Product (Sale) Transactions accounted for over 80% of the total estimated transaction amounts for each of the three years ending 31 December 2026; while the estimated transaction amount in relation to the sale of liquid ammonia and methanol to Fudao Chemical in aggregate accounted for over 95% of the estimated transaction amounts of Fudao Product (Sale) Transactions for each of the three years ending 31 December 2026.

Sale of liquid ammonia and methanol

We noted from the calculation that the Group expects to sell (i) approximately 96,000 tons of liquid ammonia to Fudao Chemical for each of the three years ending 31 December 2026; and (ii) approximately 22,000 tons of methanol to Fudao Chemical for each of the three years ending 31 December 2026. We understood from the Directors that the estimated supply quantity of liquid ammonia and methanol were determined with reference to Fudao Chemical's annual demand for the respective products under its full production capacity.

We understood from the Directors that liquid ammonia is a by-product of the Group and it is used for further processing, therefore it is not typically sold to independent third parties. As such, we enquired into the Directors regarding the Group's production volume of liquid ammonia and understood that the estimated supply quantity of liquid ammonia to Fudao Chemical represented a small proportion of the Group's annual production quantity of liquid ammonia for FY2022. Furthermore, as mentioned above, the Group produced approximately 1.52 million tons of methanol and sold approximately 1.51 million tons of methanol for FY2022. Fudao Chemical's annual demand for the respective products under full production capacity were lower than the Group's production capacity.

We noted from the calculation that the estimated unit prices of liquid ammonia and methanol were determined with reference to the Group's historical highest selling price of the respective products during the three years ended 31 December 2022 and 8M2023, with estimated growth rate of 5% adopted for each of the three year ending 31 December 2026 to cater for future price fluctuation.

As mentioned above, based on our research, we noted that the historical spot price of methanol ranged from RMB2,060 per ton to RMB4,220 per ton during the Review Period. The estimated unit prices of methanol adopted in the calculation of proposed annual caps for each of the three years ending 31 December 2026 were within the spot price range of methanol during the Review Period.

To assess the fairness and reasonableness of the estimate unit prices of liquid ammonia adopted in the calculation of the proposed annual caps, we searched for the historical spot price of liquid ammonia during the Review Period. Based on our research, we noted that the historical spot price of liquid ammonia ranged from RMB2,430 per ton to RMB5,210 per ton during the Review Period. The estimated unit prices of liquid ammonia adopted in the calculation of proposed annual caps for each of the three years ending 31 December 2026 were within the spot price range of liquid ammonia during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, we do not doubt the fairness and reasonableness of the estimated sales amount of liquid ammonia and methanol for the three years ending 31 December 2026.

Buffer

As noted from the Board Letter, a 10% buffer was incorporated in the proposed annual caps for fluctuation in relevant commodity prices, future operations needs of the Group and possible market change. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong. As such, we do not doubt the reasonableness of the buffer of 10%.

In light of the above, we consider the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

Fudao Product (Purchase) Transactions

For our due diligence purpose, we obtained (i) breakdown of the historical transaction amount for 8M2023; (ii) breakdown of the estimated transaction amount for FY2023; (iii) breakdown of the existing annual cap for FY2023 formulated by the Company; and (iv) calculation of the proposed annual caps for the Fudao Product (Purchase) Transactions for the three years ending 31 December 2026, formulated based on (a) the estimated transaction amounts from the purchase of acrylonitrile, acetonitrile and MMA, based on the estimated quantity of products to be procured by the Group and their respective unit prices; and (b) buffer of 10%.

Procurement of acrylonitrile, acetonitrile and MMA

We noted from the calculation that the Group expects to procure (i) 200,000 tons of acrylonitrile; (ii) 6,000 tons of acetonitrile; and (iii) 70,000 tons of MMA, from Fudao Chemical for each of the three years ending 31 December 2026. We understood from the Directors that the estimated procurement quantity was determined with reference to the maximum annual output capacity of Fudao Chemical for the production of acrylonitrile, acetonitrile and MMA, and such products are expected to be sold by Fudao Chemical to the Group to be further resold to independent third parties according to the Group's acrylonitrile project. As such, we do not doubt the reasonableness of the estimated procurement quantity of acrylonitrile, acetonitrile and MMA for each of the three years ending 31 December 2026.

We understood from the Directors that the estimated unit prices of acrylonitrile, acetonitrile and MMA were determined with reference to the Group's historical unit costs of the respective products during the 8M2023 and the fluctuation in market prices of the relevant products as observed by the Company, with estimated growth rate of 5% adopted for each of the three year ending 31 December 2026 to cater for future price fluctuation. To assess the fairness and reasonableness of the estimate unit prices adopted in the calculation of the proposed annual caps, we searched for the historical spot price of acrylonitrile, acetonitrile and MMA during the Review Period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on our research, we noted that:

- (i) the spot price of acrylonitrile ranged from RMB7,600 per ton to RMB15,400 per ton;
- (ii) the spot price of acetonitrile ranged from RMB7,900 per ton to RMB24,400 per ton; and
- (iii) the spot price of MMA ranged from RMB10,000 per ton to RMB14,900 per ton.

The estimated unit prices of acrylonitrile and acetonitrile adopted in the calculation of proposed annual caps for each of the three years ending 31 December 2026 were within the respective spot price range of acrylonitrile and acetonitrile during the Review Period; while the estimated unit prices of MMA adopted in the calculation of proposed annual caps for each of FY2024 and FY2025 were within the spot price range of MMA during the Review Period and the estimated unit price of MMA adopted in the calculation of the proposed annual cap for FY2026 was less than 1% higher than the spot price range of MMA during the Review Period.

As aforementioned, acrylonitrile, acetonitrile and MMA are products processed from propylene and acetone, which are by-products of crude oil and their price movements typically coincide with changes in crude oil prices, which can be affected by many factors such as supply and demand prospects, production costs and other macroeconomic impact.

Given that the estimated unit prices of acrylonitrile, acetonitrile and MMA adopted in the calculation of proposed annual caps were either within or close to their respective spot price range during the Review Period, which reflect their market prices in recent years, we do not doubt the reasonableness of the estimated unit prices of the respective products.

In light of the above, we do not doubt the fairness and reasonableness of the estimated procurement amount of acrylonitrile, acetonitrile and MMA for the three years ending 31 December 2026.

Buffer

As noted from the Board Letter, a 10% buffer was incorporated in the proposed annual caps for fluctuation in relevant commodity prices, future operations needs of the Group and possible market change. We also noted from other Hong Kong listed companies' circular regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong. As such, we do not doubt the reasonableness of the buffer of 10%.

In light of the above, we consider the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that as the proposed annual caps for the Fudao Service and Product Transactions are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of revenue to be generated or costs to be incurred from the Fudao Service and Product Transactions. Consequently, we express no opinion as to how closely the actual revenue to be generated or costs to be incurred from the Fudao Service and Product Transactions will correspond with the proposed annual caps.

Having considered the principal terms of the Fudao Service and Product Transactions above, we are of the view that the terms of the Fudao Service and Product Transactions (including the proposed annual cap) are on normal commercial terms and are fair and reasonable.

4. Principal terms of the Investment Transactions

With reference to the Board Letter, on 18 October 2023, the Company entered into the Investment and Wealth Management Cooperation Framework Agreement with Zhonghai Trust, pursuant to which Zhonghai Trust will provide to the Group of the relevant investment products and other investment cooperation including the following:

1. Investment product: Zhonghai Trust may from time to time recommend its investment products to the Group and conduct investment products cooperation with the Group in accordance with market practice and normal commercial terms (including but without limitation, trust products/trust plans, investment funds or assets management plans); and
2. Other investment cooperation: the Group and Zhonghai Trust may initiate other investment and wealth management cooperation in compliance with relevant laws and regulations through negotiation.

The term of Investment and Wealth Management Cooperation Framework Agreement will commence on 1 January 2024 and expire on 31 December 2026.

Pricing principles

The transactions under the Investment and Wealth Management Cooperation Framework Agreement will be conducted in accordance with the following principles:

1. the price for the of provision of investment and wealth manage products and/or services shall be determined through negotiation based on normal commercial terms when the specific agreement is made, with reference to the then applicable market terms and conditions for the similar type of investment and wealth management products or services provided by other independent non-banking financial institutions in the PRC; and
2. the terms and conditions for the provision of investment and wealth manage products and/or services shall be no less favorable than those offered by Zhonghai Trust to other independent third parties in respect of the similar products or services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, with a view to ensure the terms and conditions offered by Zhonghai Trust will be no less favourable than or at least equivalent to those offered by other independent non-banking financial institutions in the PRC, the Company implemented certain procedures relating to the Investment Transactions. Having considered that the designated department of the Group will review and assess whether the rates and terms set out in the specific agreement are consistent with the executed framework agreement before entering into a specific connected transaction agreement, we consider the effective implementation of the procedures will help to ensure the fair pricing and terms of the Investment Transactions and compliance of the pricing principles.

Proposed annual caps

Set out below are the proposed annual caps for the Investment Transactions for the three years ending 31 December 2026:

	For the year ending 31 December 2024 <i>RMB '000</i>	For the year ending 31 December 2025 <i>RMB '000</i>	For the year ending 31 December 2026 <i>RMB '000</i>
Proposed annual caps	1,900,000	1,900,000	1,900,000

The proposed annual caps were estimated based on various factors, details of which are set out in the sub-section headed “Historical Transaction Figures and the Proposed Annual Caps with respect to Non-exempted Continuing Connected Transactions” under the section headed “II. Non-exempted Continuing Connected Transactions” of the Board Letter.

We noted from the 2023 Interim Report that, as at 30 June 2023:

- the Group’s cash and cash equivalents and time deposit with original maturity over three months were approximately RMB1.06 billion and RMB9.90 billion respectively, and approximately RMB10.96 billion in aggregate (i.e. the Monetary Fund); and
- the Group’s financial assets at fair value through profit or loss (representing wealth management products in licensed bank and financial institutions) amounted to approximately RMB1.16 billion.

Furthermore, we noted from the 2022 Annual Report that, the Group’s cash flow from investing activities for FY2022 included (i) purchase of financial assets at fair value through profit or loss of approximately RMB12.70 billion; and (ii) disposal of financial assets at fair value through profit or loss of approximately RMB11.93 billion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The foregoing indicated that the Group's demand for investment products to be provided by Zhonghai Trust under the Investment and Wealth Management Cooperation Framework Agreement. The proposed annual caps (being the same for the three years ending 31 December 2026) accounted for approximately 17.34% of the Group's Monetary Fund as at 30 June 2023. The Monetary Fund is much larger than the proposed annual cap which indicated the Group's possible demand of deposit services and/or investment products.

In light of the above, we consider the proposed annual caps for the three years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the proposed annual cap are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of investment amount under the Investment Transactions. Consequently, we express no opinion as to how closely the actual investment amount under the Investment Transactions will correspond with the proposed annual cap.

Having considered the principal terms of the Investment Transactions above, we are of the view that the terms of the Investment Transactions (including the proposed annual cap) are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the value of the Non-exempted Continuing Connected Transactions must be restricted by the proposed annual caps for the three years ending 31 December 2026; (ii) the terms of the Non-exempted Continuing Connected Transactions (including the relevant annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of the independent non-executive Directors' annual review on the terms of the Non-exempted Continuing Connected Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Non-exempted Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material aspects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps.

In the event that the total amount of the Non-exempted Continuing Connected Transactions is anticipated to exceed the proposed annual caps, or that there is any proposed material amendment to the terms of the Non-exempted Continuing Connected Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the above stipulated requirements for the continuing connected transactions pursuant to the Listing Rules by the Company, we are of the view that there are adequate measures in place to monitor the Non-exempted Continuing Connected Transactions (together with the relevant proposed annual caps) and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Non-exempted Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Non-exempted Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Non-exempted Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

** For identification purpose only*

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, Supervisors, the chief executive or their associates of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the 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 are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers contained in appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, except that the associate of Ms. Liu Lijie, a Supervisor, held 220,000 H shares of the Company.

Save for Mr. Huang Hulong and Mr. Zhao Baoshun, the non-executive Directors, serving as full-time despatched directors by CNOOC, Ms. Shao Lihua, the proposed non-executive Directors, serving as the deputy general manager at Strategy and Planning Department of CNOOC, and Mr. Yang Dongzhao, the proposed non-executive Directors, serving as the deputy general manager at Quality, Health, Safety and Environment Department of CNOOC, as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SERVICE CONTRACTS OF THE DIRECTORS

No Director or Supervisor had or proposed to enter into any service contract with members of the Group, which is not expiring or not terminable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, the proposed Directors or their respective associates had any interest in other business which competes or is likely to compete with the business of the Group.

EXPERT STATEMENTS

This circular includes statement(s), opinion(s) or advice(s) made by the following expert:

Name	Qualification
Gram Capital Limited	Licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Gram Capital did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

NO MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors, the proposed Directors, the Supervisors and the above-mentioned expert had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors and the Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, the date to which the latest published consolidated audited accounts of the Group had been made up.

MATERIAL LITIGATION

As at the Latest Practicable Date, none of the Company and its subsidiaries was engaged in any material litigation or arbitration and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company and its subsidiaries.

MISCELLANEOUS

- (i) The joint company secretaries of the Company are Mr. Kuang Xiaobing and Ms. Ng Sau Mei. Mr. Kuang Xiaobing is also the vice president, chief financial officer, chief legal adviser and chief compliance officer of the Company.
- (ii) The registered office and the principal place of business of the Company is No. 3, Park Third Road, Basuo Town, Dongfang City, Hainan Province, the PRC. The Hong Kong H Share Registrar and H Share transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The H Share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, whose registered office is at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong.
- (iii) The English language text of this document shall prevail over the Chinese language text.

DOCUMENTS ON DISPLAY

The following documents will be published on the Stock Exchange's website and the Company's website for a period of 14 days from the date of this circular:

- (i) the letter from the Independent Board Committee dated 7 November 2023, the text of which is set out on pages 33 to 34 of this circular;
- (ii) the letter from the Independent Financial Adviser dated 7 November 2023, the text of which is set out on pages 35 to 64 of this circular;
- (iii) the consent letter dated 7 November 2023 signed by the Independent Financial Adviser in relation to the issue of this circular;
- (iv) the New Natural Gas Sale and Purchase Framework Agreement entered into between the Company and CNOOC International Trade dated 18 October 2023;
- (v) the CNOOC Comprehensive Services and Product Sales Agreement entered into between the Company and CNOOC dated 18 October 2023;
- (vi) the Fudao Comprehensive Services and Product Sales Agreement entered into between the Company and Fudao Chemical dated 18 October 2023; and
- (vii) the Investment and Wealth Management Cooperation Framework Agreement entered into between the Company and Zhonghai Trust dated 18 October 2023.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023



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

(Stock Code: 3983)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of China BlueChemical Ltd. (the “Company”) will be held at the Meeting Room 1401, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC, on Friday, 22 December 2023 at 9:00 a.m. Unless otherwise indicated, capitalised terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated 7 November 2023 (the “Circular”). The EGM is for the purposes of considering and, if thought fit, passing the following resolutions:

By way of ordinary resolutions:

1. To consider and approve the entering into of the New Natural Gas Sale and Purchase Framework Agreement dated 18 October 2023 between the Company and CNOOC International Trade and the transactions thereunder, details of which are set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the New Natural Gas Sale and Purchase Framework Agreement and the transactions thereunder.
2. To consider and approve the proposed annual caps for the transactions under the New Natural Gas Sale and Purchase Framework Agreement for the three financial years commencing on 1 January 2024 and ending on 31 December 2026 as set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement proposed annual caps for the transactions under the New Natural Gas Sale and Purchase Framework Agreement.
3. To consider and approve the entering into of the CNOOC Comprehensive Services and Product Sales Agreement dated 18 October 2023 between the Company and CNOOC and the transactions thereunder, details of which are set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the CNOOC Comprehensive Services and Product Sales Agreement and the transactions thereunder.
4. To consider and approve the proposed annual caps for the transactions under the CNOOC Comprehensive Services and Product Sales Agreement for the three financial years commencing on 1 January 2024 and ending on 31 December 2026 as set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the proposed annual caps for the transactions under the CNOOC Comprehensive Services and Product Sales Agreement.

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5. To consider and approve the entering into of the Fudao Comprehensive Services and Product Sales Agreement dated 18 October 2023 between the Company and Fudao Chemical and the transactions thereunder, details of which are set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the Fudao Comprehensive Services and Product Sales Agreement and the transactions thereunder.
6. To consider and approve the proposed annual caps for the transactions under the Fudao Comprehensive Services and Product Sales Agreement for the three financial years commencing on 1 January 2024 and ending on 31 December 2026 as set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the proposed annual caps for the transactions under the Fudao Comprehensive Services and Product Sales Agreement.
7. To consider and approve the entering into of the Investment and Wealth Management Cooperation Framework Agreement dated 18 October 2023 between the Company and Zhonghai Trust dated and the transactions thereunder, details of which are set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the Investment and Wealth Management Cooperation Framework Agreement and the transactions thereunder.
8. To consider and approve the proposed annual caps for the transactions under the Investment and Wealth Management Cooperation Framework Agreement for the three financial years commencing on 1 January 2024 and ending on 31 December 2026 as set out in the Circular; and the Board is hereby authorised to take such actions as are necessary to implement the proposed annual caps for the transactions under the Investment and Wealth Management Cooperation Framework Agreement.
9. To consider and approve the appointment of Ms. Shao Lihua as a non-executive Director, to authorise Mr. Hou Xiaofeng, the executive Director, to sign the relevant service contract on behalf of the Company with Ms. Shao Lihua, and to authorise the Board to determine her remuneration based on the recommendation by the remuneration committee of the Board.
10. To consider and approve the appointment of Mr. Yang Dongzhao as a non-executive Director, to authorise Mr. Hou Xiaofeng, the executive Director, to sign the relevant service contract on behalf of the Company with Mr. Yang Dongzhao, and to authorise the Board to determine his remuneration based on the recommendation by the remuneration committee of the Board.
11. To consider and approve the appointment of Mr. Zhang Bing as a Supervisor representing the Shareholders, to authorise Mr. Hou Xiaofeng, the executive Director, to sign the relevant service contract on behalf of the Company with Mr. Zhang Bing, and to authorise the Board, which in turn will further delegate to the remuneration committee of the Board to determine his remuneration.

By Order of the Board
China BlueChemical Ltd.*
Kuang Xiaobing
Company Secretary

Beijing, the PRC
7 November 2023

* For identification purposes only

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As at the date of this notice, the executive directors of the Company are Mr. Hou Xiaofeng and Mr. Li Ruiqing, 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.

Notes:

1. In order to determine the list of shareholders who are entitled to attend and vote at the EGM, the register of members will be closed from 22 November 2023 to 22 December 2023 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for attendance at the EGM, all instruments of transfer, accompanied by the relevant H share certificates, must be lodged with the Hong Kong share registrar for H Shares, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 November 2023. Shareholders of the Company whose names appear on the register of members of the Company on 22 December 2023 are entitled to attend the EGM.
2. A shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company. Where a shareholder has appointed more than one proxy to attend the EGM, such proxies may only vote on a poll.

The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be either under its common seal or under the hand of its attorney or duly authorised attorney(s). If that instrument is signed by an attorney of the shareholder, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.

In order to be valid, in respect of Domestic Shareholders, the proxy form together with the power of attorney or other authorisation document (if any) must be deposited at the Company's Secretary Office of the Board in China (Address: Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC) not less than 24 hours (i.e., by 9:00 a.m., Thursday, 21 December 2023) before the time fixed for holding the EGM. In respect of the Company's H Shares, the said documents together must be lodged at the Company's H Share Registrar within the above-mentioned period by H Shareholders. The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited, whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM if he/she so wishes.

3. Shareholders who intend to attend the EGM in person or by proxy should return the reply slip in person, by post or by fax to the Company's Secretary Office of the Board in China (for Domestic Shareholders) or Computershare Hong Kong Investor Services Limited (for H Shareholders) on or before Saturday, 2 December 2023. The Company's Secretary Office of the Board in China is Room 1707, Kaikang CNOOC Mansion, No. 15, Sanqu, Anzhenxili, Chaoyang District, Beijing, the PRC (Tel: 0086-010-84527250, Fax: 0086-010-84527254, Post code: 100029). The address of Computershare Hong Kong Investor Services Limited is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
4. Shareholders or their proxies must present proof of their identities upon attending the EGM. Should a proxy be appointed, the proxy must also present copies of his/her proxy form, or copies of appointing instrument and power of attorney, if applicable.
5. The EGM is expected to last not more than one day. Shareholder or proxies attending the EGM are responsible for their own transportation and accommodation expenses.