

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Stock Code: 3983)

ANNOUNCEMENT

ENTRUSTED MANAGEMENT OF FUDAO CHEMICAL

THE TRANSACTION

The Board is pleased to announce that, as resolved by the shareholders' general meeting of Fudao Chemical, Fudao Chemical, Orient Petrochemical and CNOOC Fudao entered into the Entrusted Management Agreement on 18 January 2023, pursuant to which Fudao Chemical entrusts Orient Petrochemical to manage the daily production and operation of Fudao Chemical. The term of the Entrusted Management Agreement commenced from 18 January 2023 and will expire on 17 January 2026.

The major duties undertaken by Orient Petrochemical under the Entrusted Management Agreement include, but are not limited to, the implementation of party-building responsibilities, decision-making on production and operation, economic and administrative management, personnel management, production management, safety, quality and environmental management as well as equipment and process management of Fudao Chemical. Pursuant to the Entrusted Management Agreement, Fudao Chemical shall pay the entrusted management fee of RMB2 million per year to Orient Petrochemical. The above entrusted management fee was determined by negotiation between Fudao Chemical and Orient Petrochemical after taking into account the equity relationship of Fudao Chemical and the operation condition of Fudao Chemical as a unit not yet in official operation.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Fudao Chemical engages in the construction as well as the production and operation of acrylonitrile project in Dongfang City, Hainan Province, and Orient Petrochemical possesses matured, advanced and abundant capabilities and experience in respect of the production processes, technologies and plants, safety production and operation management of acrylonitrile and other chemical fields. Considering current progress of the proposed acquisition of 100% equity interests in Orient Petrochemical by the Company, in order to ensure the smooth production and operation and safe production of the acrylonitrile project of Fudao Chemical and enhance economic benefits thereof, the parties agreed to enter into the Transaction.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CNOOC is the controlling shareholder of the Company and Orient Petrochemical is a wholly owned subsidiary of CNOOC. Therefore, Orient Petrochemical is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Fudao Chemical and CNOOC Fudao are subsidiaries of the Company, the Transaction constitutes a continuing connected transaction of the Company.

As applicable percentage ratios for the Transaction calculated based on the annual entrusted management fee are less than 0.1%, the Transaction constitutes a de minimis continuing connected transaction under Chapter 14A of the Listing Rules and is therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

We refer to the announcement of the Company dated 30 June 2022 in relation to the proposed acquisition of 100% equity interests in Orient Petrochemical by the Company. We also refer to the announcement of the Company dated 19 August 2020 in relation to the establishment of Fudao Chemical.

THE TRANSACTION

The Board is pleased to announce that, as resolved by the shareholders' general meeting of Fudao Chemical, Fudao Chemical, Orient Petrochemical and CNOOC Fudao entered into the Entrusted Management Agreement on 18 January 2023, pursuant to which Fudao Chemical entrusts Orient Petrochemical to manage the daily production and operation of Fudao Chemical. The Transaction will not affect the agreement between Orient Petrochemical and CNOOC Fudao in relation to profit sharing and loss bearing of Fudao Chemical as set out in the announcement of the Company dated 19 August 2020, i.e., Orient Petrochemical and CNOOC Fudao shall be entitled to enjoy the profit or to bear the loss of Fudao Chemical in proportion to their respective paid-in capital in Fudao Chemical.

Principal Terms of the Entrusted Management Agreement are set out as below:

Date:

18 January 2023

Parties:

1. Fudao Chemical;
2. Orient Petrochemical; and
3. CNOOC Fudao.

Term:

The term of entrusted management commenced from 18 January 2023 and will expire on 17 January 2026. Upon expiration, such term may be extended by negotiation by the parties and determined by signing written agreement, as the case may be.

Content of the Agreement:

Pursuant to the Entrusted Management Agreement, Fudao Chemical entrusts Orient Petrochemical to manage the daily production and operation of Fudao Chemical. The major duties undertaken by Orient Petrochemical under the Entrusted Management Agreement include, but are not limited to, the implementation of party-building responsibilities, decision-making on production and operation, economic and administrative management, personnel management, production management, safety, quality and environmental management as well as equipment and process management of Fudao Chemical.

During the term of entrusted management, the procurement of materials and sales of products of Fudao Chemical and its specific authority on its businesses shall be operated and executed with reference to the relevant systems and regulations of the Company.

During the term of entrusted management, Fudao Chemical shall maintain the governance structure and operation mechanism, including the shareholders' meeting, board of directors and supervisory committee, as stipulated in the articles of association of Fudao Chemical, and during the term of entrusted management for the daily production and operation of Fudao Chemical under the Entrusted Management Agreement, Orient Petrochemical shall comply with the resolutions made by the shareholders' meeting and the board of directors of Fudao Chemical.

Entrusted management fee:

Fudao Chemical shall pay the entrusted management fee of RMB2 million per year to Orient Petrochemical.

The above entrusted management fee was determined by negotiation between Fudao Chemical and Orient Petrochemical after taking into account the equity relationship of Fudao Chemical and the operation condition of Fudao Chemical as a unit not yet in official operation.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Fudao Chemical engages in the construction as well as the production and operation of acrylonitrile project in Dongfang City, Hainan Province, and Orient Petrochemical possesses matured, advanced and abundant capabilities and experience in respect of the production processes, technologies and plants, safety production and operation management of acrylonitrile and other chemical fields. Considering current progress of the proposed acquisition of 100% equity interests in Orient Petrochemical by the Company, in order to ensure the smooth production and operation and safe production of the acrylonitrile project of Fudao Chemical and enhance economic benefits thereof, the parties agreed to enter into the Transaction.

The terms of the Entrusted Management Agreement were entered into on normal commercial terms after arm's length negotiation.

GENERAL INFORMATION

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 as at the date of this announcement.

Orient Petrochemical mainly engages in the petroleum refining and the manufacturing, sales, storage and trade of petroleum and petrochemical products and is a wholly owned subsidiary of CNOOC Oil & Petrochemicals Co., Ltd.* (中海石油煉化有限責任公司) as at the date of this announcement.

CNOOC Fudao mainly engages in the manufacturing and sales of fertilisers and methanol and is a wholly owned subsidiary of the Company as at the date of this announcement.

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, CNOOC is the controlling shareholder of the Company and Orient Petrochemical is a wholly owned subsidiary of CNOOC. Therefore, Orient Petrochemical is a connected person of the Company under Rule 14A.07 of the Listing Rules. As Fudao Chemical and CNOOC Fudao are subsidiaries of the Company, the Transaction constitutes a continuing connected transaction of the Company.

As applicable percentage ratios for the Transaction calculated based on the annual entrusted management fee are less than 0.1%, the Transaction constitutes a de minimis continuing connected transaction under Chapter 14A of the Listing Rules and is therefore fully exempt from the independent shareholders' approval, annual review and all disclosure requirements.

DEFINITIONS

“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 the PRC which is also the controlling shareholder of the Company
“CNOOC Fudao”	海洋石油富島有限公司 (CNOOC Fudao Limited*), a company established in the PRC and is a wholly-owned subsidiary of the Company as at the date of this announcement
“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)”	directors of the Company
“Entrusted Management Agreement”	the entrusted management agreement dated 18 January 2023 between Fudao Chemical, Orient Petrochemical and CNOOC Fudao in relation to the Transaction
“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 Orient Petrochemical and CNOOC Fudao hold the 49% and 51% equity interests, respectively, as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Orient Petrochemical”	中海油東方石化有限責任公司 (CNOOC Orient Petrochemical Co., Ltd.*), a limited company incorporated in the PRC, which is a wholly owned by CNOOC as at the date of this announcement
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	Fudao Chemical entrusts Orient Petrochemical to manage the daily production and operation of Fudao Chemical during the term from 18 January 2023 to 17 January 2026 under the Entrusted Management Agreement

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

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

Beijing, the PRC, 18 January 2023

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

* *For identification purpose only*