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

(Stock Code: 3983)

DISCLOSEABLE AND CONNECTED TRANSACTION DEEMED DISPOSAL OF A SUBSIDIARY

THE CAPITAL INCREASE AGREEMENT

The Board is pleased to announce that, on 27 December 2023, (i) Shanghai Fudao, a subsidiary of the Company and one of the shareholders of Guangxi Fudao, and (ii) Huiduoli AMP, the other shareholder of Guangxi Fudao, entered into the Capital Increase Agreement.

Pursuant to the Capital Increase Agreement, (i) Huiduoli AMP agreed to subscribe RMB10 million of the capital increase in Guangxi Fudao, (ii) Shanghai Fudao agreed to not exercise its pre-emptive right in relation to the Capital Increase, and (iii) upon completion of the Capital Increase, the registered capital of Guangxi Fudao will increase from RMB20 million to RMB30 million, and Shanghai Fudao's equity interest in Guangxi Fudao will be diluted from 51% to 34% while Huiduoli AMP's equity interest in Guangxi Fudao will increase from 49% to 66%.

LISTING RULES IMPLICATIONS

As the Capital Increase will result in the reduction of Shanghai Fudao's equity interest in Guangxi Fudao, the Capital Increase constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Capital Increase exceeds 5% but all are less than 25%, the Capital Increase constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

Huiduoli AMP is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company at the subsidiary level. As such, the Capital Increase also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) Huiduoli AMP is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Capital Increase; and (iii) the independent non-executive Directors have confirmed that the terms of the Capital Increase are fair and reasonable, and that the Capital Increase is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Capital Increase is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

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The major terms of the Capital Increase Agreement are set out below:

- Date** : 27 December 2023
- Parties** : Shanghai Fudao; and
Huiduoli AMP
- Capital Increase** : (i) Huiduoli AMP agreed to subscribe RMB10 million of the capital increase in Guangxi Fudao, (ii) Shanghai Fudao agreed to not exercise its pre-emptive right in relation to the Capital Increase, and (iii) upon completion of the Capital Increase, the registered capital of Guangxi Fudao will increase from RMB20 million to RMB30 million.
- Consideration** : Huiduoli AMP subscribed for the Capital Increase in cash at the price of RMB14,723,315.81, of which RMB10 million will be accounted for as the registered capital of Guangxi Fudao and the remaining RMB4,723,315.81 will be accounted for as the capital reserve of Guangxi Fudao.
- The aforesaid consideration was arrived based on normal commercial terms after arm's length negotiations by both parties with reference to the appraised value (i.e., approximately RMB29,446,631.61) of Guangxi Fudao as at 30 September 2023. The valuation was carried out by Zhonglian Asset Appraisal Group Limited* (中聯資產評估集團有限公司), a certified PRC public valuer approved and regulated by China Securities Regulatory Commission and Ministry of Finance, on Guangxi Fudao based on cost approach.
- Payment** : Huiduoli AMP has made the full payment of the consideration under the Capital Increase Agreement.

SHAREHOLDING STRUCTURE OF GUANGXI FUDAO

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

Name of shareholder	Immediately before the completion of the Capital Increase		Immediately after the completion of the Capital Increase	
	Registered capital of Guangxi Fudao (in RMB)	Percentage	Registered capital of Guangxi Fudao (in RMB)	Percentage
Shanghai Fudao	10.2 million	51%	10.2 million	34%
Huiduoli AMP	9.8 million	49%	19.8 million	66%
Total	20 million	100%	30 million	100%

FINANCIAL INFORMATION OF GUANGXI FUDAO

Based on the audited financial statements of Guangxi Fudao for the financial years ended 31 December 2021 and 2022 and nine months ended 30 September 2023 prepared in accordance with the PRC Accounting Standards for Business Enterprises, the net profits/(losses) before and after taxation for the financial years ended 31 December 2021 and 2022 and nine months ended 30 September 2023 are set out below:

	For the nine months ended 30 September 2023 (RMB)	For the year ended 31 December 2022 (RMB)	For the year ended 31 December 2021 (RMB)
Profit/(loss) before taxation	(15,988,663.40)	6,861,516.70	18,099,304.04
Profit/(loss) after taxation	(16,213,354.68)	5,096,158.60	13,554,914.33

Based on the audited financial statements of Guangxi Fudao for the nine months ended 30 September 2023 prepared in accordance with the PRC Accounting Standards for Business Enterprises, the total assets and net assets of Guangxi Fudao as of 30 September 2023 were RMB112,600,192.78 and RMB11,026,251.84, respectively.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

For the purpose of the Company's overall business strategy and to further enhance the quality of its equity assets, the Company entered into the Capital Increase Agreement.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Capital Increase are fair and reasonable, and that the Capital Increase is on normal commercial terms and in the interests of the Company and its the shareholders as a whole. None of the Directors has a material interest in the Capital Increase, or was required to abstain from voting on the relevant resolutions of the Board approving the Capital Increase.

FINANCIAL EFFECTS OF DEEMED DISPOSAL

Upon completion of the Capital Increase, Shanghai Fudao's equity interest in Guangxi Fudao will be diluted from 51% to 34%. Guangxi Fudao is no longer a subsidiary of the Group and has become an associated company of the Group. As such, Guangxi Fudao has been equity accounted for in the financial statements of the Group and its financial results have ceased to be consolidated into the financial statements of the Group. Therefore, the Capital Increase constitutes a deemed disposal under Rule 14.29 of the Listing Rules.

Based on preliminary assessment, it is estimated that the Group will record an unaudited gain of approximately RMB7,839,198.80 on the deemed disposal, which is calculated on the basis of the difference between the fair value of approximately RMB15,017,782.12 for the remaining equity interest of 34% in Guangxi Fudao and the net asset share of Guangxi Fudao based on the original equity interest of 51%, which is approximately RMB7,178,583.32 at the date of the Capital Increase Agreement. The actual gains or losses of the Group on the deemed disposal will be subject to the final audit by the Group's auditor.

The Group will not receive any proceeds from the Capital Increase.

INFORMATION OF THE PARTIES

Shanghai Fudao mainly engages in sales of fertilizers (including urea, phosphate fertilizers and compound fertilizers) and chemical products (mainly methanol and acrylonitrile). As of the date of this announcement, Shanghai Fudao is a wholly-owned subsidiary of the Company.

Huiduoli AMP mainly engages in trade in fertilizers, pesticides and other means of agricultural production. As of the date of this announcement, Huiduoli AMP is owned as to 66% by Zhejiang AMP Incorporation*(浙江農資集團有限公司) and 5.96% by Hangzhou Lehuiyi Investment Management Partnership (Limited Partnership)* (杭州樂惠壹投資管理合夥企業(有限合夥)), respectively. The remaining 28.04% equity interest in Huiduoli AMP is held by other 20 shareholders, none of which holds more than 5% equity interest in Huiduoli AMP. As of the date of this announcement, all shareholders of Huiduoli AMP are third parties independent of the Company and its connected persons.

Guangxi Fudao mainly engages in sales of fertilizers and chemical products. As of the date of the Capital Increase Agreement, Guangxi Fudao is owned as to 51% by Shanghai Fudao and 49% by Huiduoli AMP, respectively.

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

LISTING RULES IMPLICATIONS

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Huiduoli AMP is a substantial shareholder of a subsidiary of the Company, and therefore a connected person of the Company at the subsidiary level. As such, the Capital Increase also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As (i) Huiduoli AMP is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Capital Increase; and (iii) the independent non-executive Directors have confirmed that the terms of the Capital Increase are fair and reasonable, and that the Capital Increase is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the Capital Increase is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Capital Increase”	the capital increase of Guangxi Fudao from RMB20 million to RMB30 million pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement entered into between Shanghai Fudao and Huiduoli AMP on 27 December 2023
“Company”	中海石油化學股份有限公司 (China BlueChemical Ltd.*), a company incorporated in the PRC, the H shares of which are listed on the Stock Exchange (stock code: 3983)
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries from time to time
“Guangxi Fudao”	廣西富島農業生產資料有限公司 (Guangxi Fudao Agricultural Means of Production Limited*), a company incorporated in the PRC, which is owned as to 51% by Shanghai Fudao and 49% by Huiduoli AMP, respectively, as of the date of the Capital Increase Agreement
“Huiduoli AMP”	惠多利農資有限公司 (Huiduoli AMP Co., Ltd.*), a company incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Fudao”	海油富島(上海)化學有限公司 (CNOOC Fudao (Shanghai) Chemical Limited*), a company incorporated in the PRC, which is a wholly-owned subsidiary of the Company as of the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

In addition, the terms “connected person”, “connected transaction”, “discloseable transaction”, “percentage ratios”, “subsidiary” and “substantial shareholder” 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

5 January 2024

As at the date of this announcement, the executive directors of the Company are Mr. Hou Xiaofeng and Mr. Li Ruiqing, the non-executive directors of the Company are Ms. Shao Lihua and Mr. Yang Dongzhao, and the independent non-executive directors of the Company are Mr. Yu Changchun, Mr. Lin Feng and Mr. Xie Dong.

* For identification purpose only