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China Boqi Environmental (Holding) Co., Ltd.

中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

**Announcement
Continuing Connected Transactions–
Technology Licensing Contract**

The Company is pleased to announce that on 6 September 2018 Beijing Boqi Electric Power SCI-TECH Co., Ltd. (“**Beijing Boqi**”) (a wholly-owned subsidiary of the Company) and Fushun Petrochemical Research Institute of China Petroleum & Chemical Corporation (“**Fushun Research Institute**”) signed a technology licensing contract (the “**Technology Licensing Contract**”). Pursuant to the Technology Licensing Contract, Fushun Research Institute licenses the Company to use its patents and know-how of the flue gas ultra-clean emission denitrification technology.

TECHNOLOGY LICENSING CONTRACT

The main terms of the Technology Licensing Contract are summarized as follows:

Signing date: 6 September 2018

Parties: (1) Beijing Boqi
(2) Fushun Research Institute

Term: From contract signing date to 31 December 2019

Main terms:

- (1) There are 3 patents (“**the patents**”) in total granted under the Technology Licensing Contract. The details of these patents are as follows:
 - (i) Nature: Invention patents (invention, utility model and appearance design);
 - (ii) Patentee: Fushun Research Institute of China Petroleum & Chemical Corporation;
 - (iii) Patent numbers: ZL201210409848.0,
ZL201020569738.7 and
ZL201010222036.6.
- (2) Contract scope: Beijing Boqi is licensed to use the patents and know-how of the flue gas ultra-clean emission denitrification technology of Fushun Research Institute for the implementation of the Upgrade Project to comply with the “ultra-low emission” standards. Relevant patents and know-how relate to the denitrification catalyst and SCR technology.
- (3) Obligations of Fushun Research Institute: Fushun Research Institute shall submit the following materials to Beijing Boqi: (i) The industrial process documents required for applying the technology and know-how, and (ii) The technical solutions for flue gas denitrification treatment of Shanghai Petrochemical Coal-fired Power Plant. Beijing Boqi is licensed to use the patents and know-how within 365 days from the signing date of the Technology Licensing Contract.
- (4) Confidentiality: Beijing Boqi is under the obligation of confidentiality in respect of the use of patents and know-how of Fushun Research Institute. Such obligation continues to survive 5 years after the termination of the Technology Licensing Contract and covers a broad range of areas in relation to the patents and know-how of Fushun Research Institute such as technology planning, technology design, specialized tools, etc.
- (5) Licensing fee: Beijing Boqi shall pay RMB900,000 to Fushun Research Institute for its license to use the patents and know-how. Such amount was determined after arm’s length negotiations between Beijing Boqi and Fushun Research Institute with reference to normal commercial terms and market rates.
- (6) Payment: The licensing fee shall be paid in a lump sum within 30 days of the signing of the Technology Licensing Contract.

Annual caps:	For the year ended 31 December 2018	For the year ended 31 December 2019
	RMB900,000	Nil ⁽¹⁾

Note:

- (1) The licensing fee of RMB900,000 under the Technology Licensing Contract will be settled in 2018.

While determining the above annual caps, the Directors have considered the following factors:

- (i) The historical transaction amount with Fushun Research Institute;
- (ii) The cost of the Company's Upgrade Project of #3 and #4 Boilers of Sinopec Shanghai's Thermal Power Division for the Compliance with Emission Standard;
- (iii) The price of similar technology in the market.

Historical Transaction Amount: The licensing fee of RMB2,150,000 under the previous technology licensing contract signed in 2017 was settled on 11 October 2017.

THE IMPACT AND BENEFITS OF SIGNING THE TECHNOLOGY LICENSING CONTRACT

The signing of the Technology Licensing Contract will benefit the Company's Upgrade Project of #3 and #4 Boilers of Sinopec Shanghai's Thermal Power Division for the Compliance with Emission Standard. With the advanced flue gas ultra-clean emission denitrification technology, the flue gas treatment performance can be improved so that the upgrade project can be completed more efficiently and with better quality. Fushun Research Institute has strong research and development capabilities as well as numerous research and development achievements. Beijing Boqi may carry out further development in respect to the patents and advanced technology for which it is licensed by Fushun Research Institute to use. This will help the Company to improve its technology level and project implementation level.

The Board of Directors (including the independent non-executive Directors) consider that the terms of the Technology Licensing Contract are fair and reasonable, and the Technology Licensing Contract is entered into on normal commercial terms and is in the interests of the Company and its shareholders as a whole.

THE IMPLICATIONS OF THE CONNECTED TRANSACTION UNDER THE LISTING RULES

As at the date of this announcement, China Petroleum & Chemical Corporation holds 10.91% of the Company's shares through its wholly-owned subsidiary Sinopec Overseas Investment Holdings Limited ("**Sinopec**"), and Fushun Research Institute is a research and development institution of China Petroleum & Chemical Corporation. Therefore, according to the Listing Rules, Fushun Research Institute is a connected person of the Company at the issuer level. The Technology Licensing Contract constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.81 of the Listing Rules, if a series of connected transactions are entered into or completed within 12 months or are otherwise interrelated, then such connected transactions shall be aggregated and treated as if they were one transaction. As both the Technology Licensing Contract and the previous technology licensing contract signed in 2017 are signed with Fushun Research Institute and of the same transaction nature, these two contracts shall be aggregated in accordance with Rule 14A.81 of the Listing Rules. As the applicable percentage (except for the profit ratio) at the time of the aggregation exceeded 0.1% but was less than 5%, both contracts are subject to the reporting and announcement requirements but exempted from the circular and shareholders' approval requirements, pursuant to Rule 14A.76 of the Listing Rules.

Both Sinopec and Fushun Research Institute are members of China Petroleum & Chemical Corporation. Therefore, Mr. Chen Xue, being a Director appointed by Sinopec, is deemed to have a material interest in the above-mentioned continuing connected transactions and will abstain from voting on the resolutions of the Board of Directors for approving the Technology Licensing Contract and the transactions contemplated thereunder (including the relevant proposed annual caps).

Save as disclosed above, none of the other Directors shall abstain from voting on the resolutions of the Board of Directors for reviewing and approving the Technology Licensing Contract, nor are they deemed to have any material interests in the Technology Licensing Contract.

INFORMATION ABOUT THE CONTRACTING PARTIES

Information about the Company and Beijing Boqi

The Company is a leading independent flue gas treatment integrated services provider in the Chinese market and is an integrated environmental protection company for independent flue gas treatment that is not controlled by any power group. The Company has taken a market leading position in the flue gas treatment industry and is gradually expanding into other environmental protection and energy-saving business areas. It is committed to developing into a world-class environmental industry group. The Company is principally engaged in air pollution control for coal-fired power plants, including desulfurization services, denitrification services, dust removal services and integrated flue gas treatment services. In addition, it also provides wastewater treatment services for power plants. The Company provides environmental protection services through various business models including environmental protection facility engineering, operation and maintenance and concession operations.

Beijing Boqi, a limited liability company established in China on 24 June 2002, is an indirect wholly-owned subsidiary of the Company. Its principal business includes the construction and operation of desulfurization, denitrification and dust removal facilities at coal-fired power stations in China and abroad.

Information about Fushun Research Institute

Fushun Research Institute, established in 1953, is a large comprehensive scientific research and development institution directly under China Petroleum & Chemical Corporation. As a research institute engaged in petroleum refining research earlier in China, Fushun Petrochemical Research Institute researches petrochemical technologies, develops clean energy and aggressively develops technologies for comprehensive treatment of waste gas, waste water and waste residue. It is an important base in China for the development of environmental protection technologies in the petroleum and petrochemical industries.

DEFINITIONS

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

“Beijing Boqi”	Beijing Boqi Electric Power SCI-TECH Co., Ltd., established in China on 24 June 2002, is an indirect wholly-owned subsidiary of the Company;
“Board of Directors”	the Board of Directors of the Company;
“Connected persons”	the meaning as defined in the Listing Rules;
“Continuing connected transactions”	the meaning as defined in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Fushun Research Institute”	Fushun Research Institute is a branch of China Petroleum & Chemical Corporation;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“RMB”	the lawful currency of the PRC;
“Sinopec”	Sinopec Overseas Investment Holding Limited (中國石化海外投資控股有限公司);
“Subsidiary”	the meaning as defined in the Listing Rules;
“The Company”	China Boqi Environmental (Holding) Co., Ltd., a company incorporated in the Cayman Islands with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (stock code: 2377);
“%”	Percentage;

On behalf of the Board
China Boqi Environmental (Holding) Co., Ltd.
Vice Chairman, Executive Director and Chief Executive Officer
Zeng Zhijun

Beijing, 6 September 2018

As of the date of this announcement, the Company’s Executive Directors are Mr. Cheng Liquan Richard and Mr. Zeng Zhijun, the Non-executive Directors are Mr. Tony Tuo Zheng, Mr. Zhu Weihang and Mr. Chen Xue and the Independent Non-executive Directors are Mr. Liu Genyu, Dr. Xie Guozhong and Mr. Lu Zhifang.