

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

If you have sold or transferred all your shares in China Boqi Environmental (Holding) Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)**

**CONTINUING CONNECTED TRANSACTIONS**

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



A letter from the Board is set out on pages 4 to 22 of this circular.

A letter from the Independent Board Committee is set out on pages 23 to 24 of this circular.

A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract is set out on pages 25 to 38 of this circular.

A notice convening the EGM to be held at the first conference room of the Company at 11/F, R&F Center, 63 East 3rd Ring Middle Road, Chaoyang District, Beijing, the PRC on 21 November 2018 at 10:30 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on 19 November 2018. 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.

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## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

|   |  |
|---|--|
| “associate(s)”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” | each shall have the meaning as ascribed to it under the Listing Rules  |
| “Beijing Boqi”  | Beijing Boqi Electric Power SCI-TECH Co., Ltd., a wholly-owned subsidiary of the Company   |
| “Board”   | the board of Directors   |
| “Chongqing Chuanwei”  | Chongqing Chuanwei Petrochemical Engineering Company Limited* of the Sinopec Group (中國石化集團重慶川維化工有限公司)  |
| “Chongqing Chuanwei EPC Contract”   | an EPC contract in relation to the ultra-low emission upgrading project of coal-fired boiler and engineering, procurement and construction of denitrification, desulfurization and dust removal upgrading  |
| “Chongqing Chuanwei EPC Project”  | the Project regarding the Chongqing Chuanwei EPC Contract  |
| “Company”   | China Boqi Environmental (Holding) Co., Ltd., a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange   |
| “Director(s)”   | the director(s) of the Company   |
| “EGM”   | an extraordinary general meeting to be convened and held at the first conference room of the Company at 11/F, R&F Center, 63 East 3rd Ring Middle Road, Chaoyang District, Beijing, the PRC on 21 November 2018 at 10:30 a.m. for the Independent Shareholders to consider and approve the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps |
| “Existing Waiver”   | a waiver obtained by the Historical Connected Transactions (and relevant annual caps) from the Stock Exchange from compliance with the requirements of announcement and Independent Shareholders’ approval   |

## DEFINITIONS

|  |  |
|--|--|
| “Gaoqiao Petrochemical”                              | Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd.*<br>(中國石化上海高橋石油化工有限公司)  |
| “Gram Capital” or<br>“Independent Financial Adviser” | Gram Capital Limited, a Licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent shareholders in respect of the Chongqian Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps |
| “Group”  | the Company and its subsidiaries   |
| “Historical Connected Transactions”                  | The Design and EPC Contracts between the Company and Historical CT Counterparties, which were previously disclosed in the Prospectus is the same type as the desulfurization, denitrification, dust removal environmental facilities EPC Project   |
| “Historical CT Counterparties”                       | Fushun Research Institute, Gaoqiao Petrochemical and Sinopec Shanghai  |
| “HK\$”   | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”  | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Board Committee”                        | an independent committee of the Board comprising all the independent non-executive Directors, which has been formed by the Board to advise the Independent Shareholders in respect of each of the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps  |
| “Independent Shareholders”                           | Shareholder(s) other than Sinopec Overseas and its associates, and any Shareholder who has a material interest in the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps  |
| “Latest Practicable Date”                            | 25 October 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular  |

## DEFINITIONS

|                               |   |
|-------------------------------|---|
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time  |
| “Mainland China” or “PRC”     | the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)   |
| “Ningbo Procurement Contract” | a procurement contract for the denitrification system in the Sino-Kuwait Power Station  |
| “Ningbo Procurement Project”  | the Project regarding the Ningbo Procurement Contract   |
| “Proposed Annual Caps”        | the proposed annual caps for the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract for the period from the date of the EGM to the 36th months from the date of the EGM as set out in the section headed “Proposed Annual Caps” in this circular |
| “Prospectus”                  | the prospectus of the Company dated 28 February 2018  |
| “RMB”                         | Renminbi, the lawful currency of the PRC  |
| “SFO”                         | The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong  |
| “Share(s)”                    | ordinary share(s) of US\$0.00001 each in the issued share capital of the Company  |
| “Shareholder(s)”              | holders of the Share(s)   |
| “Sinopec Overseas”            | Sinopec Overseas Investment Holding Limited (中國石化海外投資控股有限公司)  |
| “Sinopec Group”               | China Petrochemical Corporation and its subsidiaries  |
| “Sinopec Ningbo”              | Sinopec Ningbo Engineering Co., Ltd* (中石化寧波工程有限公司)  |
| “Sinopec Shanghai”            | Sinopec Shanghai Petrochemical Company Limited* (中國石化上海石油化工股份有限公司)  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited   |
| “%”                           | percentage  |

\* For identification purpose only



**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)**

*Non-executive Director:*

Mr. Tony Tuo Zheng (鄭拓)

Mr. Zhu Weihang (朱偉航)

Mr. Chen Xue (陳學)

*Executive Directors:*

Mr. Cheng Liquan Richard (程里全)

*Chairman*

Mr. Zeng Zhijun (曾之俊)

*Independent Non-executive Directors:*

Mr. Liu Genyu (劉根鈺)

Dr. Xie Guozhong (謝國忠)

Mr. Lu Zhifang (陸志芳)

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PO Box 309,

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*Principal place of business*

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248 Queen's Road East

Wanchai,

Hong Kong

31 October 2018

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 14 September 2018, in respect of, among other things:

- (i) the Chongqing Chuanwei EPC Contract entered into by Beijing Boqi (a wholly-owned subsidiary of the Company) and Chongqing Chuanwei, regarding the engineering, procurement and construction (EPC) of denitrification, desulfurization and dust removal upgrade in the upgrade project on ultra-low emissions of coal-fired boiler, which is expected to be completed by October 2020;
- (ii) the Ningbo Procurement Contract entered into by Beijing Boqi (a wholly-owned subsidiary of the Company) and Sinopec Ningbo, regarding the technical services of the denitrification system in the Sino-Kuwait Power Station in relation to design, procurement, and guidance as to construction and installation (EP), which is expected to be completed by May 2019; and

## LETTER FROM THE BOARD

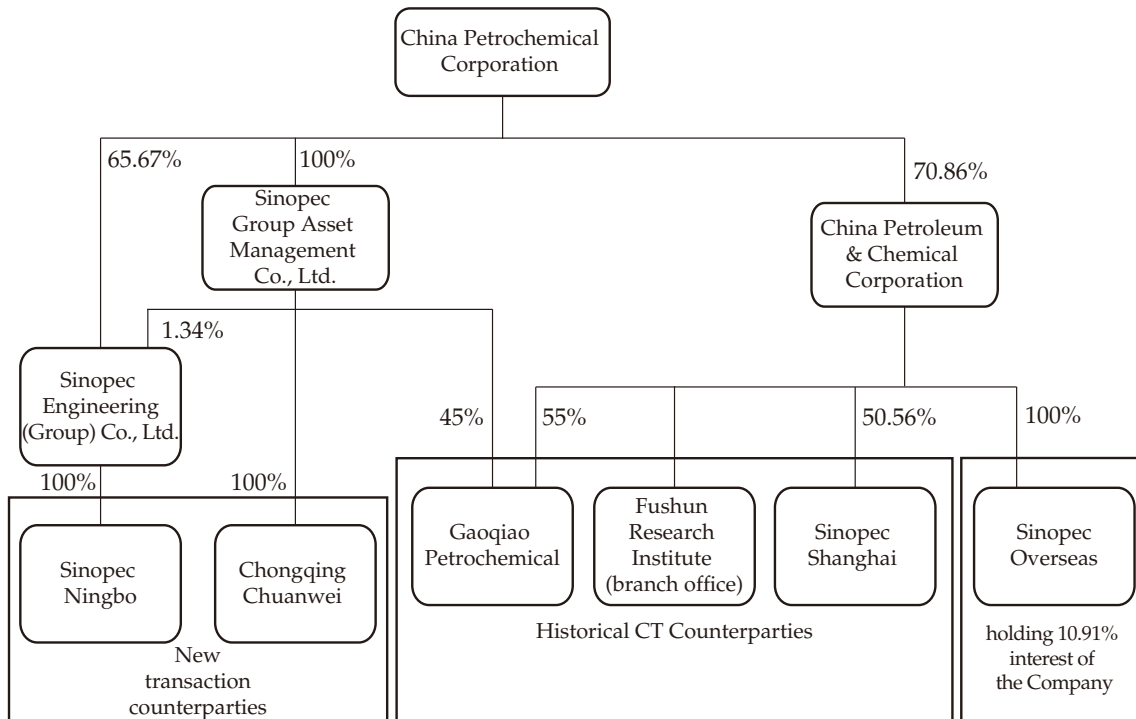
- (iii) the Proposed Annual Caps for the period from the date of the EGM to the 36th month from the date of the EGM to cater for the transactions contemplated under the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract.

The purpose of this circular, to which this letter forms a part of, is to give you a notice of the EGM and to provide you with, among other things, further particulars of (i) the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the transactions contemplated thereunder, and (ii) the Proposed Annual Caps.

## 2. HISTORICAL CONNECTED TRANSACTIONS

### 2.1 Connected Persons

Similar to (1) Fushun Research Institute, (2) Gaoqiao Petrochemical and (3) Sinopec Shanghai (collectively referred to as “**Historical CT Counterparties**”) as disclosed in the Prospectus, Chongqing Chuanwei and Sinopec Ningbo are indirect subsidiaries of, and are controlled by, the China Petrochemical Corporation Group. Among these, Fushun Research Institute is a branch office, whereas Gaoqiao Petrochemical and Sinopec Shanghai are fellow subsidiaries of the China Petroleum & Chemical Corporation.



## LETTER FROM THE BOARD

The table below sets forth the Historical CT Counterparties and the nature of their connections with the Group:

| <b>Name</b>               | <b>Connected Relationship</b>   |
|---------------------------|---|
| Fushun Research Institute | Fushun Research Institute, a branch office of China Petroleum & Chemical Corporation, the parent company of Sinopec Overseas, Sinopec Overseas is one of our substantial shareholders |
| Gaoqiao Petrochemical     | Gaoqiao Petrochemical, a fellow subsidiary (as defined in the Listing Rules), is owned as to 55% by China Petroleum & Chemical Corporation, the parent company of Sinopec Overseas    |
| Sinopec Shanghai          | Sinopec Shanghai, a fellow subsidiary (as defined in the Listing Rules), is owned as to 50.56% by China Petroleum & Chemical Corporation, the parent company of Sinopec Overseas      |

The table below sets forth parties who are connected persons with whom the Group intends to conduct the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract, and the nature of their connection with our Group:

| <b>Name</b>        | <b>Connected Relationship</b>   |
|--------------------|---|
| Chongqing Chuanwei | Chongqing Chuanwei, is indirectly wholly owned by China Petrochemical Corporation through Sinopec Group Asset Management Co., Ltd. (Sinopec Group Asset Management Co., Ltd. and China Petroleum & Chemical Corporation are both subsidiaries of China Petrochemical Corporation, and China Petroleum & Chemical Corporation wholly owns Sinopec Overseas).   |
| Sinopec Ningbo     | Sinopec Ningbo, is controlled by China Petrochemical Corporation through Sinopec Engineering (Group) Co., Ltd and Sinopec Group Asset Management Co., Ltd. (Sinopec Engineering (Group) Co., Ltd, Sinopec Group Asset Management Co., Ltd and China Petroleum & Chemical Corporation are all subsidiaries of China Petrochemical Corporation, and China Petroleum & Chemical Corporation wholly owns Sinopec Overseas). |



## LETTER FROM THE BOARD

### 2.2 Summary of the Historical Connected Transactions

#### *Design and EPC contracts with Sinopec Group*

##### 1. *Technical Service Contract with Fushun Research Institute*

|                        |  |
|------------------------|--|
| Parties:               | Beijing Boqi (as technology provider) and Fushun Research Institute (as technology recipient)  |
| Term:                  | September 2017 to December 2019  |
| Contract scope:        | Beijing Boqi and Fushun Research Institute entered into a technical service contract (" <b>Technical Service Contract</b> ") whereby Beijing Boqi provides technical service to Fushun Research Institute in relation to fluid catalytic cracking design for deep dust removal and defogging of regenerative flue gas. Beijing Boqi shall deliver design documents in both hard copy and electronic copy, assist onsite construction and participate in initial debugging work. The technical service provided by Beijing Boqi shall be completed on 31 December 2019, whereas the design work has been completed within 30 days after signing the Technical Service Contract. |
| Technical service fee: | RMB500,000   |
| Payment:               | Within 30 days after signing the Technical Service Contract, Beijing Boqi provided to Fushun Research Institute with a detailed blueprint. It has issued an invoice upon acceptance of such blueprint by Fushun Research Institute based on the standards set by Sinopec in relation to the standards of detailed engineering design of engineering devices. Within 45 days upon the receipt of such invoice, Fushun Research Institute has paid the technical service fee to Beijing Boqi.  |
| Confidentiality:       | Beijing Boqi shall keep all information obtained under and in relation to the Technical Service Contract confidential.   |
| Payment terms:         | The revenue generated from Technical Service Contract was RMB500,000, which was settled on 25 October 2017.  |

## LETTER FROM THE BOARD

### 2. *Sinopec Shanghai EPC project*

Parties: Sinopec Shanghai (as contract-issuing party) and Beijing Boqi (as contractor)

Bid and contract scope: On 7 February 2017, Beijing Boqi won a bid for an EPC project in connection with the upgrade of the desulfurization, denitrification and dust removal environmental facilities of a cogeneration power plant of Sinopec Shanghai for the purpose of meeting the “ultra-low emission” standards.

On 1 March 2017 Beijing Boqi entered into an EPC contract with Sinopec Shanghai finalizing the winning bid whereby Beijing Boqi will act as the main contractor. The upgrade work involves project design, procurement of equipment and materials, project construction and installation of five boiler fuel gas denitrification facilities.

Contract value: RMB224,626,000 (including tax), comprised of construction fee, installation fee, fee for procurement of equipment and raw materials.

Term: The Upgrade Project has been completed in December 2017.

According to the latest project implementation plan, unit #1, #2 and #5B were completed in 2017. Unit #5A was completed in February, 2018. Unit #7 is currently under construction, and is expected to complete in November, 2018.

Revenue and annual caps: For the year ending 31 December 2017, the revenue generated from the Sinopec Shanghai EPC project was RMB142,089,000. For the eight months ending 31 August, 2018, the revenue generated from the Sinopec Shanghai EPC project was RMB47,222,815, which did not exceed the maximum transaction amount under this contract of RMB75,000,000 for the year ending 31 December 2018.

### 3. *Gaoqiao Petrochemical EPC project*

Parties: Gaoqiao Petrochemical (as contract-issuing party) and Beijing Boqi (as contractor)

## LETTER FROM THE BOARD

|                          |   |
|--------------------------|---|
| Bid and contract scope:  | <p>On 24 March 2017, Beijing Boqi won a bid for a upgrade project in connection with the upgrade of denitrification facilities and boilers of the power plant of Gaoqiao Petrochemical for the purpose of meeting the “ultra-low emission” standards.</p> <p>On 27 April 2017, Beijing Boqi and Gaoqiao Petrochemical entered into a contract finalizing the winning bid for the Gaoqiao Petrochemical EPC Project whereby Beijing Boqi will act as the main contractor.</p>  |
| Contract value:          | RMB16,990,000 (including tax).  |
| Payment terms:           | <p>Payment will be made in four instalments. The first instalment of 15% of the contract price to be paid within 30 days after signing of the EPC contract and delivery and confirmation of the design blueprints. The second instalment of 25% of the contract price within 30 days of installation of the SCR system to the boiler facilities. The third instalment of 50% of the contract price to be paid within 90 days of the issuance of the certificate of compliance by the environmental department of the relevant government authority. The last instalment of 10% of the contract price within 30 days of expiry of the 18 months warranty period.</p> |
| Term:                    | <p>The SCR systems for each boiler facility shall be delivered on 6 May 2017, 30 May 2017, 6 July 2017, 30 July 2017 and 30 August 2017 respectively.</p> <p>According to the updated delivery schedule issued by Gaoqiao Petrochemical on 26 December 2017, the SCR systems for each boiler facility shall be delivered on 5 January 2018, 11 January 2018, 10 February 2018, 6 May 2018 and 6 June 2018, respectively.</p> <p>As at the Latest Practicable Date, boiler #6, #8, #5 and #9 were completed in September, 2018. Boiler #4 is currently under construction, and is expected to complete in December, 2018.</p>  |
| Revenue and annual caps: | <p>For the year ending 31 December, 2017, the revenue generated from Gaoqiao Petrochemical EPC Project was RMB 8,150,000. For the eight months ending 31 August 2018, the revenue generated from the Gaoqiao Petrochemical EPC Project was RMB5,250,010, which did not exceed the maximum transaction amount under this contract of RMB9,000,000 for the year ending 31 December 2018.</p>  |

## LETTER FROM THE BOARD

### 4. *Sinopec Shanghai #3-4 EPC project*

|                          |   |
|--------------------------|---|
| Parties:                 | Sinopec Shanghai (as contract issuing party) and Beijing Boqi (as contractor)   |
| Bid and contract scope:  | <p>On 14 August 2017, Beijing Boqi won a bid for an EPC project in connection with the upgrade of the #3-4 boiler of a cogeneration power plant of Sinopec Shanghai for the purpose of meeting the “ultra-low emission” standards.</p> <p>On 7 September 2017, Beijing Boqi entered into an EPC contract with Sinopec Shanghai finalizing the winning bid whereby Beijing Boqi will act as the main contractor, involves project design, procurement of equipment and materials, project construction and installation.</p> |
| Contract value:          | RMB91,123,500.00 (including tax), comprised of construction fee, installation fee, design fee, fee for procurement of equipment and raw materials.  |
| Term:                    | The construction of the #3-4 Upgrade Project is expected to complete on 31 March 2018. Due to the contract-issuing party, the term of the project has changed. As at the Latest Practicable Date, unit #4 was completed in June, 2018. Unit #3 is currently under construction, and is expected to complete in November, 2018. Sinopec Shanghai #3-4 EPC project is expected to complete by the end of 2018.  |
| Revenue and annual caps: | For the year ending 31 December 2017, there was no revenue generated from Sinopec Shanghai #3-4 EPC Project. For the eight months ending 31 August 2018, the revenue generated was RMB47,655,645, which did not exceed the maximum transaction amount under this contract of RMB100,000,000 for the year ending 31 December 2018.   |

### 2.3 **Aggregation of Transaction Values and Annual Caps**

The Company had entered into the Historical Connected Transactions with the Historical CT Counterparties prior to listing, and given that (i) the Historical Connected Transactions were all entered into with the other group companies of China Petroleum & Chemical Corporation, which is the parent company of Sinopec Overseas (details set out under paragraph 2.2 above), and; (ii) income received by the Group all relate to the design and EPC services provided, such transactions were aggregated in accordance with Rule

## LETTER FROM THE BOARD

14A.81 of the Listing Rules. The expected transaction amount for the Historical Connected Transactions, in aggregate, would not exceed RMB184,000,000 for the year ending 31 December 2018. Accordingly, the Company had applied for and obtained a waiver from the Exchange under Chapter 14A for Historical Connected Transactions.

As Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract similarly (i) involve group companies of China Petroleum & Chemical Corporation; and (ii) involve design and EPC services, they are aggregated with the Historical Connected Transactions under Rule 14A81, and require the independent shareholders approval under Rule 14A 36.

### 3. CHONGQING CHUANWEI EPC CONTRACT

Date of tender award: 14 May 2018

Date of contract signing: 14 September 2018

Parties: Chongqing Chuanwei (contract-issuing party) and Beijing Boqi (contractor)

As the contract-issuing party, Chongqing Chuanwei is required to follow the project approval procedures under PRC law, raise construction fund, issue project commencement notice to the contractor, provide construction site and ways to enter the said site, pay contract price to the contractor as agreed in the contract, and promptly arrange hand over, qualified acceptance and completion acceptance as agreed in the contract.

As the contractor, Beijing Boqi provides the contract-issuing party with services such as design, equipment procurement, construction, safety, testing, etc, and perform project check and acceptance with the contract-issuing party.

Project description: Upgrading of coal-fired boiler in the thermal power facility area of Chuanwei to comply with “ultra-low emission” standards.

Scope of work: Engineering of ultra-low emission upgrade project of coal-fired boiler; denitrification, desulfurization and dust removal except upgrade of boiler itself; procurement and supply of relevant equipment; construction (including building, installation, removal and transportation of structures related to the project) and subsequent testing and performance evaluation

## LETTER FROM THE BOARD

|                                    |  |
|------------------------------------|--|
| Completion date:                   | October 2020   |
| Contract value:                    | RMB205,880,000 (tentative estimate of the total value)   |
| Adjustments to the contract value: | <ol style="list-style-type: none"><li>(1) Contract value may vary according to ( i ) ad hoc adjustments in the scope of work, (ii) changes in equipment models, and (iii) ad hoc requests of Chongqing Chuanwei;</li><li>(2) the cost of technical services and other fees shall decrease by 5.5% at the time of final settlement;</li><li>(3) the construction and installation expenses and the costs of equipment and materials shall decrease by 4% at the time of final settlement;</li><li>(4) if there is a net balance between the actual construction and installation expenses and 96% of the corresponding approved one, Beijing Boqi is entitled to 80% of the cost savings; and</li><li>(5) if there is a net balance between the actual costs of equipment and materials and 96% of the corresponding approved one, Beijing Boqi is entitled to 90% of the cost savings.</li></ol> |
| Special provisions:                | 100% pass rate for the design of the finished products; 100% pass rate for equipment and materials; and compliance with the passing standards of the national and industrial construction inspection and acceptance requirements for construction quality.   |

### Payment Schedule

Pursuant to the Chongqing Chuanwei EPC Contract, Chongqing Chuanwei will settle the consideration of RMB205,880,000 (tentative estimate of its total value), subject to the above adjustments in the following manner:

- (1) Cost of equipment and materials – Within 20 days upon passing the on-site inspection and acceptance of equipment and materials, Chongqing Chuanwei shall make a payment to Beijing Boqi for the receipt of project materials amounting to 70% of the cost of equipment and materials of the contract value;
- (2) Construction and installation expenses – Beijing Boqi reports on the completed progress of construction on a monthly basis. Within 20 days upon confirmation, Chongqing Chuanwei shall make a payment to Beijing Boqi amounting to 70% of the corresponding amount of the completed progress;

## LETTER FROM THE BOARD

- (3) Technical service fee and other fees – Within 20 days upon the completion and approval of the basic design, Chongqing Chuanwei shall make a payment to Beijing Boqi amounting to 50% of total technical service fee and other fees of the contract; upon the completion of the detailed design and its approval by Chongqing Chuanwei, Chongqing Chuanwei shall make a payment which adds up to 80% of total technical service fee and other fees of the contract value;
- (4) Project standard compliance – After the whole project passes its completion inspection and acceptance and meets the passing standards, Chongqing Chuanwei shall make a payment to Beijing Boqi which adds up to 90% of total technical service fee of the settlement amount; and
- (5) Project completion – After the final accounting and auditing for project completion, Chongqing Chuanwei shall make a payment to Beijing Boqi which adds up to 97% of total technical service fee of the validated amount; 3% of total technical service fee and other fees serves as the quality assurance deposit. Within 20 days after no error is found in the examination, Chongqing Chuanwei shall pay the outstanding amount to Beijing Boqi.

### **Basis for Pricing**

The pricing of the Chongqing Chuanwei EPC Contract is determined by negotiations between Chongqing Chuanwei and Beijing Boqi on an arm's length basis with reference to the following factors:

- (i) the price of equipment and materials would be determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group; if there is no data for reference, the direct cost would be determined through enquiry of prevailing market prices. With these basis, the estimated gross profit of the Group would be determined;
- (ii) the construction and installation fee would be calculated based on the approximate fixed fee standard and the ancillary fee standard in the petrochemical industry;
- (iii) other preliminary cost (including insurance, design fee, technical service and other fees) would be calculated based on the approximate fixed fee standard in the petrochemical industry. With these basis, the reasonable estimated gross profit would be determined; and
- (iv) a ceiling on estimated contract value of the Chongqing Chuanwei EPC Project at RMB206 million as set by Chongqing Chuanwei in the tender documents.

## LETTER FROM THE BOARD

### 4. NINGBO PROCUREMENT CONTRACT

Date of tender award: 5 June 2018

Date of contract signing: 14 September 2018

Parties: Sinopec Ningbo (purchaser) and Beijing Boqi (seller)

As the purchaser, Sinopec Ningbo issues project commencement notice to the contractor, provides work requirements, pays contract price to the contractor, and promptly arranges equipment quality acceptance and completion acceptance as agreed in the contract.

As seller, Beijing Boqi provides the contract-issuing party with denitrification system design, procurement and technical guidance services.

Project description: Provide technical services of design, procurement of denitrification system for the project site of Sinopec Ningbo at the Sino-Kuwait Power Station until the expiry of the quality assurance period after delivery for normal operation.

Scope of work: In terms of design, installation guidance, testing, operation, maintenance, procurement of purchased components and during the construction process, the materials provided and the technology delivered shall strictly comply with the requirements under the Ningbo Procurement Contract and technical agreement.

Completion date: May 2019

Contract value: RMB24,800,000

Special provisions: Quality assurance period of the equipment is 24 months after the equipment is brought into operation and maintains continuous normal operation.



## LETTER FROM THE BOARD

### Payment Schedule

Pursuant to the Ningbo Procurement Contract, Sinopec Ningbo will settle the consideration of RMB24,800,000 in the following manner:

- (1) Prepayment – Sinopec Ningbo shall pay 20% of the contract value to Beijing Boqi when the Ningbo Procurement Contract takes effect and Beijing Boqi provides Sinopec Ningbo with the official invoice of 20% of the contract value, early construction information, construction progress plan and quality inspection plan, and within 45 days after the prepayment guarantee;
- (2) Progress payment – Sinopec Ningbo shall pay 20% of the contract value to Beijing Boqi within 45 working days after Beijing Boqi provides Sinopec Ningbo with the official invoice of 20% of the contract value and delivery note of the major materials etc.;
- (3) Payment upon delivery – Sinopec Ningbo shall pay 40% of the contract value to Beijing Boqi after Beijing Boqi delivers all equipment to the delivery location within required timeframe according to the delivery schedule and provides Sinopec Ningbo with technical information including the commercial invoices of the equipment, certificates for quality inspection, on-site transfer list and attachments of the contract, within 45 days after Sinopec Ningbo's confirmation;
- (4) Performance evaluation payment – Beijing Boqi completes the installation, debugging of all equipment and the equipment operates normally according to the contract. Upon inspection and acceptance by Sinopec Ningbo and within 45 days after the passing of performance evaluation, Sinopec Ningbo shall pay 10% of the contract value to Beijing Boqi;
- (5) Quality assurance deposit – Within 45 working days after the quality assurance period, Sinopec Ningbo shall pay the outstanding amount to Beijing Boqi.

## LETTER FROM THE BOARD

### Basis for Pricing

The pricing of the Ningbo Procurement Contract is determined by negotiations between Sinopec Ningbo and Beijing Boqi on an arm's length basis with reference to the following factors:

- (i) the prices of equipment and materials would be determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group; if there is no data for reference, the direct cost would be determined through enquiry of prevailing market prices. With these basis, the estimated gross profit of the Group would be determined;
- (ii) the Group's endeavor to develop business relationship with Sinopec Ningbo; and
- (iii) the Group's anticipation of acquiring future projects from Sinopec Ningbo.

Sinopec Ningbo is the main contractor of power station projects, such as the Ultra-low Emission Upgrade Project of the Denitrification System for Circulating Fluidized Bed Boiler of Power Station in Sino-Kuwait Joint Venture Refinery Integration Project\* (中科合資廣東煉化一體化項目動力站循環流化床鍋爐脫硝裝置超排改造項目) with ZhongKe (Guangdong) Refinery & Petrochemical Company Limited. By obtaining the supply contract for denitrification equipment (i.e. the Ningbo Procurement Contract), the Company intended to establish business relations with Sinopec Ningbo and use this cooperation as a stepping stone towards obtaining more contracts in respect of the other projects from Sinopec Ningbo.

Given the above Historical Connected Transactions are conducted between the Company and the members of China Petrochemical Corporation, these transactions have been aggregated for calculation in the Prospectus according to Rule 14A.81 of the Listing Rules. The Historical Connected Transactions (and the annual caps thereof) have obtained a waiver from the Stock Exchange from compliance with the requirements of announcement and Independent Shareholders' approval ("**Existing Waiver**"). For details, please see the sections in the Prospectus headed "Connected Transactions" and "Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance".

## LETTER FROM THE BOARD

### Proposed Annual Caps

The Company anticipates that the estimated total value of the transactions under Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract will not exceed the Proposed Annual Caps as set out below:

|  | For the<br>period from<br>the date of<br>EGM to<br>31 December<br>2018<br><i>RMB</i> | For the<br>year ending<br>31 December<br>2019<br><i>RMB</i> | For the<br>year ending<br>31 December<br>2020<br><i>RMB</i> | For the<br>period from<br>1 January<br>2021 to the<br>36 <sup>th</sup> month<br>from the date<br>of EGM<br>(expected to<br>be November<br>2021)<br><i>RMB</i> |
|--|--|---|---|---|
| Chongqing Chuanwei<br>EPC Contract     | 30,881,874   | 92,645,623  | 82,351,665  | –   |
| Ningbo Procurement                     | 4,960,000  | 17,360,000  | –   | 2,480,000   |
| Proposed buffer<br>(approximately 10%) | 3,584,188  | 11,000,562  | 8,235,166   | 248,000   |
| Proposed Annual Caps                   | 39,426,062   | 121,006,185   | 90,586,831  | 2,728,000   |

When determining the above Proposed Annual Caps, the Directors have considered the following factors:

- (1) the anticipated incomes of the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract;
- (2) the expected project schedules of the Chongqing Chuanwei EPC Project and the Ningbo Procurement Project, as the revenue generated thereunder shall be recognized by stages in accordance with such schedules; and
- (3) a buffer for unexpected circumstances during the projects.

The Director, having considered the above factors, regard the terms of the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps are fair and reasonable, on normal commercial terms, and in the interests the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### **Reasons for and benefits of entering into the transactions contemplated under the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract**

As disclosed in the Company's interim report for the six months ended 30 June 2018, the Group seeks to capture the market opportunities arising from the national "ultra-low emission" policy. Leveraging the extensive customer base and abundant business experience of the Group, the Group seeks to further expand its coverage in every aspect of flue gas treatment. The air pollution treatment business of the Group would expand from power generation industry to other sectors, such as steel, mining, and petrochemical industry, so as to achieve the sustainable development of its business.

The PRC government has promulgated a series of environmental treatment policies including but not limited to 《中華人民共和國環境保護稅法》(Environmental Protection Tax Law of the People's Republic of China\*), 《關於京津冀大氣污染傳輸通道城市執行大氣污染物特別排放限值的公告》(Announcement on Implementation of Special Discharge Cap for Air Pollutants in Air Pollution Transmission Channel Cities in Beijing, Tianjin and Hebei Province\*), 《關於打贏藍天保衛戰三年行動計劃的通知》(Notice on the Three-Year Action Plan for Winning the Battle for a Blue Sky\*) and 《中華人民共和國固體廢物污染環境防治法(修訂草案)(徵求意見稿)》(Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (Draft for Discussion)\*), which brought significant impetus to the development of the relevant industries. In light of the favorable national policies, looking forward, the Group would put more focus on the expansion of petrochemical industry air pollution treatment markets.

The Company believes that these transactions will enhance the desulfurization, denitrification and dust removal business of the Group. It is expected to further explore the business opportunities between the Group and Sinopec Group and gain considerable project experience, which allows the Company to further expand the market and offer similar services to more market participants of the petrochemical industry in the near future. Therefore, both the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract are in line with the national policy on environmental protection in the PRC as well as the business development strategy and operation structure adjustment of the Company, which began in late 2016 to explore markets of petrochemicals and steel industries for flue gas treatment business.

Meanwhile, (i) the performance of the Chongqing Chuanwei EPC Contract will have a positive impact on the Company's revenue and operating results; and (ii) the performance of the Ningbo Procurement Contract would allow the Group to develop business relationship with Sinopec Ningbo, which may further allow the Group to acquire future projects from Sinopec Ningbo, thereby laying an important foundation for the Company to expand and strengthen its environmental protection business in the petrochemical industry, as well as contributing to the continuous growth of the Group's annual performance.

## LETTER FROM THE BOARD

### Internal Control and Risk Management Measures

In order to safeguard the interests of the Shareholders, the Group will continue to adopt, and/or will continue to procure and maintain, the following guidelines and principles in monitoring its transactions:

The Company selected and followed up with the Chongqing Chuanwei EPC Project and the Ningbo Procurement Project from the open tender projects in the market, which included preliminary technical communication and promotion as well as participation in open bidding process. While preparing the tender documents (the “**Tender Documents**”), the Company sets a preliminary budget for each of the Chongqing Chuanwei EPC Project and the Ningbo Procurement Contract, based on factors such as the proposed scope of work and the requirements of the bidding invitations. After the tenders are awarded, the agreements to be entered into with the customers will be reviewed and approved by the relevant internal departments of the Company. The Group prepared a detailed budget according to the contract requirements upon entering into the project contract, for each of the Chongqing Chuanwei EPC Project and the Ningbo Procurement Contract. The detailed budget is subject to the approval by the operational decision-making committee of the Company and will be used as the assessment standard for budget management.

To further protect the Shareholders’ interest in the future, the Group will assign specific staff to be responsible for the daily operations and the monitoring of the transactions contemplated under the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract, with a view to ensuring that Beijing Boqi and Chongqing Chuanwei and Sinopec Ningbo carry out the transactions in accordance with the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract. In addition, the Company will conduct yearly review against the transactions in order to consolidate experiences and eliminate any inadequacy.

### 5. INFORMATION ABOUT THE PARTIES

The Group is mainly engaged in flue gas treatment business in Mainland China. Its services cover project engineering, equipment procurement, facility construction and the operation and maintenance of flue gas treatment facilities, as well as concession business.

Sinopec Group is the largest refined oil and petrochemical product supplier and the second largest oil and gas producer in the PRC, and the largest oil refining company and the second largest chemical engineering company in the world. Sinopec Overseas was introduced to the Company as a strategic investor. It shall not only bring substantial funds into the Company but also lay a solid foundation for the Company to enter the non-electricity field.

Chongqing Chuanwei is a business unit in Sinopec Group. It is engaged in chemical and chemical fiber product production business which uses natural gas as the major raw material. Chongqing Chuanwei intended to, through the transformation and upgrade of coal-fired boiler under the Chongqing Chuanwei EPC Contract, comply with the national ultra-low emission standard in accordance with the environmental protection requirements.

## LETTER FROM THE BOARD

Sinopec Ningbo is a business unit in Sinopec Group. It is engaged in engineering consulting, engineering design, scientific research and development, equipment manufacturing, plant construction and repair and maintenance business in the fields of natural gas chemical, petrochemical, coal chemical and synthesis gas chemical in China. With various patents and exclusive technologies, this all-round engineering company serves both of the domestic and international markets by providing technology and management services. Sinopec Ningbo's denitrification system in the site of the Sino-Kuwait Power Station intends to comply with the ultra-low emission standard required by the PRC national policy through the Ningbo Procurement Contract.

### 6. LISTING RULES IMPLICATIONS

Given the Historical Connected Transactions are conducted between the Company and the members of China Petrochemical Corporation, these transactions have been aggregated for calculation in the Prospectus according to Rule 14A.81 of the Listing Rules. These Historical Connected Transactions (and the annual caps thereof) have obtained a waiver from the Stock Exchange from compliance with the requirements of announcement and Independent Shareholders' approval ("**Existing Waiver**"). For details, please see the sections in the Prospectus headed "Connected Transactions" and "Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance".

As at the date of this circular, Sinopec Overseas Investment Holding Limited (中國石化海外投資控股有限公司) ("**Sinopec Overseas**") holds a 10.91% equity interest in the Company. China Petroleum & Chemical Corporation (parent company of Sinopec Overseas), Sinopec Group Asset Management Co., Ltd (parent company of Chongqing Chuanwei) and Sinopec Engineering (Group) Co., Ltd (parent company of Sinopec Ningbo) are fellow subsidiaries of China Petrochemical Corporation. For details of their connected relationships, please see section 2.1 "Connected Persons". Given that the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract are both conducted between the Company and the members of the Sinopec Group, and the nature is similar to the Historical Connected Transactions conducted between the Company and other members of the Sinopec Group, these transactions shall be aggregated with the Historical Connected Transactions according to the requirements of Rule 14A.81 of the Listing Rules and subject to approval by the Company's Independent Shareholders.

As certain applicable percentage ratios of transaction amounts of the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract exceed 5% but are less than 25% after aggregation, the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the transactions thereunder must comply with the reporting, announcement, circular, Independent Shareholders' approval and annual review requirements under Chapter 14A of Listing Rules.

## LETTER FROM THE BOARD

### 7. EGM

A notice of the EGM to be held at the first conference room of the Company at 11/F, R&F Center, 63 East 3rd Ring Middle Road, Chaoyang District, Beijing, the PRC on 21 November 2018 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, ordinary resolutions will be proposed and, if thought fit, passed to approve the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps.

In view of the connection between Sinopec Overseas, Chongqing Chuanwei and Sinopec Ningbo, Sinopec Overseas is required to abstain from voting on the resolutions approving the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps at the EGM. As at the Latest Practicable Date, Sinopec Overseas and its associates controlled 110,294,118 Shares (representing approximately 10.91% of the issued share capital of the Company).

Mr Chen Xue, the Director nominated by Sinopec Overseas, has material interests in the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract and had abstained from voting the board meeting to approve these transactions.

To the best of the Directors' knowledge, belief and having made all reasonable enquiries, as at the Latest Practicable Date, save for disclosed above, no Director or Shareholder was or will be required to abstain from voting on the board or shareholders resolutions, as the case may be, for approving the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps at the EGM.

A form of proxy for use at the EGM is attached. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on Monday, 19 November 2018. 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.

Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published on the websites of the Company and of the Stock Exchange following the EGM.

### 8. RECOMMENDATION

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders, inter alia, whether

## LETTER FROM THE BOARD

Independent Shareholders should vote in favour of the resolution regarding the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps.

Your attention is therefore drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular and the letters from Gram Capital set out on pages 25 to 38 of this circular.

The Directors (including the independent non-executive Directors, having considered the views of Gram Capital) are of the view that the terms of the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract are fair and reasonable and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of all the ordinary resolutions in respect of the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract and the Proposed Annual Caps respectively at the EGM.

### 9. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from Gram Capital as well as the general information of the Group as set out in appendix I to this circular.

Yours faithfully,  
For and on behalf of the Board of Directors  
**Mr. Cheng Liquan Richard**  
程里全  
*Chairman and Executive Director*





**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)**

31 October 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to consider and to advise the Independent Shareholders whether the terms of the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Cap are fair and reasonable and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, taking into account the recommendations of Gram Capital, being the independent financial advisers appointed to advise us and the Independent Shareholders in the abovementioned context.

Your attention is drawn to the “Letter from the Board” and the “Letter from Gram Capital” in the circular of the Company dated 31 October 2018 (the “**Circular**”), which contain, among other things, information and the advice from Gram Capital in respect of the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps.

Having taking into account the reasons for and benefits of the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps, the basis for determining the Proposed Annual Caps, the principal factors and reasons considered by Gram Capital in arriving at its opinion regarding the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps as set out in the “Letter from Gram Capital” on pages 25 to 38 of this Circular, we consider that entering into the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract is in the usual and ordinary course of business of the Company and that the terms of the Chongqing Chuanwei EPC Contract and the Ningbo Procurement Contract are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of all the ordinary resolutions as set out in the notice of the EGM to be convened and held on Wednesday, 21 November 2018 and thereby approve the Chongqing Chuanwei EPC Contract, the Ningbo Procurement Contract and the Proposed Annual Caps.

Yours faithfully,  
For and on behalf of  
Independent Board Committee

**Mr. Liu Genyu (劉根鈺)**  
*Independent*  
*Non-executive Director*

**Dr. Xie Guozhong (謝國忠)**  
*Independent*  
*Non-executive Director*

**Mr. Lu Zhifang (陸志芳)**  
*Independent*  
*Non-executive Director*

## LETTER FROM GRAM CAPITAL

*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 Chongqing Chuanwei EPC Contract, Ningbo Procurement Contract and the transactions contemplated thereunder 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

31 October 2018

*To: The independent board committee and the independent shareholders  
of China Boqi Environmental (Holding) Co., Ltd.*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Chongqing Chuanwei EPC Contract, Ningbo Procurement Contract and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 October 2018 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.

On 14 September 2018, Beijing Boqi (a wholly-owned subsidiary of the Company) and Chongqing Chuanwei entered into the Chongqing Chuanwei EPC Contract regarding the engineering, procurement and construction (EPC) of denitrification, desulfurization and dust removal upgrade in the upgrade project on ultra-low emissions of coal-fired boiler, which is expected to be completed by October 2020.

On the even date, Beijing Boqi and Sinopec Ningbo entered into a procurement contract for the technical services of the denitrification system in the Sino-Kuwait Power Station in relation to design, procurement, and guidance as to construction and installation (i.e. the Ningbo Procurement Contract, collectively with Chongqing Chuanwei EPC Contract, the “**Contracts**”), which is expected to be completed by May 2019.

With reference to the Board Letter, the transactions contemplated under the Contracts, in aggregation, constitute continuing connected transactions of the Company, and are subject to the reporting, announcement, circular, Independent Shareholders’ approval and annual review requirements under the Listing Rules.

## LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Dr. Xie Guozhong, Mr. Liu Genyu and Mr. Lu Zhifang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of each of the Contracts are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Contracts are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Contracts and the transactions contemplated thereunder 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.

### **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 are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Contracts. 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, Chongqing Chuanwei, Sinopec Ningbo or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering into of the Contracts. 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

## LETTER FROM GRAM CAPITAL

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.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Contracts and transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for entering into of the Contracts

##### *Information on the Group*

With reference to the Board Letter, the Group is mainly engaged in flue gas treatment business in Mainland China. Its services cover project engineering, equipment procurement, facility construction and the operation and maintenance of flue gas treatment facilities, as well as concession business.

##### *Information on Chongqing Chuanwei and Sinopec Ningbo*

With reference to the Board Letter, both Chongqing Chuanwei and Sinopec Ningbo are business units in Sinopec Group.

Chongqing Chuanwei is engaged in chemical and chemical fiber product production business which uses natural gas as the major raw material. Chongqing Chuanwei intended to comply with the national ultra-low emission standard in accordance with the environmental protection requirements through the transformation and upgrade of coal-fired boiler under the Chongqing Chuanwei EPC Contract.

Sinopec Ningbo is engaged in engineering consulting, engineering design, scientific research and development, equipment manufacturing, plant construction and repair and maintenance business in the fields of natural gas chemical, petrochemical, coal chemical and synthesis gas chemical in China. With various patents and exclusive technologies, this all-round engineering company serves both of the domestic and international markets by providing technology and management services. Sinopec Ningbo intends to comply with the ultra-low emission standard required by the PRC national policy at the project site of the Sino-Kuwait Power Station through the Ningbo Procurement Contract.

## 2. Reasons for and benefit of entering into of the Contracts

We understood from the Directors that the Group generates revenues primarily from three major segments: (i) the EPC business, (ii) the O&M business, and (iii) concession operation business. With reference to the Company's annual report for the year ended 31 December 2017 ("FY2017"), the Group recorded total revenue of approximately RM1,329 million for FY2017, of which revenue derived from EPC segment amounted to approximately RMB555 million, representing approximately 41.8% to the total revenue for FY2017 (FY2016: 56.5%). We further noted from the Prospectus that revenue derived from EPC segment constituted the largest portion of the Group's total revenue for recent four years.

With reference to the Company's interim report for the six months ended 30 June 2018 and Board Letter, the Group seeks to capture the market opportunities arising from the national "ultra-low emission" policy. Leveraging the extensive customer base and abundant business experience of the Group, the Group seeks to further expand its coverage in every aspect of flue gas treatment. The air pollution treatment business of the Group would expand from power generation industry to other sectors, such as steel, mining, and petrochemical industry, so as to achieve the sustainable development of its business.

The PRC government has promulgated a series of environmental treatment policies (including but not limited to 《中華人民共和國環境保護稅法》(Environmental Protection Tax Law of the People's Republic of China\*), 《關於京津冀大氣污染傳輸通道城市執行大氣污染物特別排放限值的公告》(Announcement on Implementation of Special Discharge Cap for Air Pollutants in Air Pollution Transmission Channel Cities in Beijing, Tianjin and Hebei Province\*), 《中華人民共和國固體廢物污染環境防治法(修訂草案)(徵求意見稿)》(Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (Draft for Discussion)\*)), which brought significant impetus to the development of the relevant industries. In light of the favorable national policies, looking forward, the Group would put more focus on the expansion of petrochemical industry air pollution treatment markets.

Both Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract are in line with the national policy on environmental protection as well as the business development strategy (in particular, further expanding its coverage in every aspect of flue gas treatment and the air pollution treatment business of the Group would expand from power generation industry to other sectors, such as steel, mining, and petrochemical industry) and operation structure adjustment of the Company. The Company believes that these transactions will enhance the desulfurization, denitrification and dust removal business of the Group. It is expected to further explore the business opportunities between the Group and Sinopec Group and gain considerable work experience, which allows the Company to further expand the market and offer similar services to more market participants of the petrochemical industry in the near future.

## LETTER FROM GRAM CAPITAL

Meanwhile, (i) the performance of the Chongqing Chuanwei EPC Contract will have a positive impact on the Company's revenue and operating results; and (ii) the performance of the Ningbo Procurement Contract would allow the Group to develop business relationship with Sinopec Ningbo, which may further allow the Group to acquire future projects from Sinopec Ningbo, thereby laying an important foundation for the Group to expand and strengthen its environmental protection business in the petrochemical industry, as well as contributing to the continuous growth of the Group's annual performance.

In light of the above factors, we consider the transaction contemplated under the Contracts are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### 3. Principal terms of the Contracts

#### A. *Chongqing Chuanwei EPC Contract*

|                      |   |
|----------------------|---|
| Date:                | 14 September 2018   |
| Parties:             | Chongqing Chuanwei (contract-issuing party); and Beijing Boqi (contractor)  |
| Project description: | Upgrading of coal-fired boiler in the thermal power facility area of Chuanwei to comply with "ultra-low emission" standards   |
| Scope of contracting | Engineering of ultra-low emission upgrade project of coal-fired boiler; denitrification, desulfurization and dust removal except upgrade of boiler itself; procurement and supply of relevant equipment; construction (including building, installation, removal and transportation of structures related to the project) and subsequent testing and performance evaluation |
| Completion date:     | October 2020  |
| Contract value:      | RMB205,880,000 (tentative estimated total value).   |

## LETTER FROM GRAM CAPITAL

Adjustments to the contract value:

- (1) Contract value may vary according to (i) ad hoc adjustments in the scope of work, (ii) changes in equipment models, and (iii) ad hoc requests of Chongqing Chuanwei;
- (2) technical service and other fees shall decrease by 5.5% at the time of final settlement;
- (3) the construction and installation expenses and the costs of equipment and materials shall decrease by 4% at the time of final settlement;
- (4) if there is a net balance between (a) the actual construction and installation expenses; and (b) 96% of the corresponding approved one, Beijing Boqi is entitled to 80% of the cost savings; and
- (5) if there is a net balance between (a) the actual costs of equipment and materials; and (b) 96% of the corresponding approved one, Beijing Boqi is entitled to 90% of the cost savings.

Contract value

With reference to the Board Letter, the pricing of the Chongqing Chuanwei EPC Contract is determined by negotiations between Chongqing Chuanwei and Beijing Boqi on an arm's length basis with reference to certain factors. Details of the factors are set out under the sub-section headed "Basis for pricing" under section headed "Chongqing Chuanwei EPC Contract" of the Board Letter.

The Company selected and followed up with the Chongqing Chuanwei EPC Project from the open tender project in the market, which included preliminary technical communication and promotion as well as participation in open bidding process. While preparing the tender documents (the "**Chuanwei Tender Documents**") for Chongqing Chuanwei EPC Project, the Company calculated preliminary contract value (i.e. RMB205.88 million) based on (i) a preliminary budget (the "**Chuanwei Cost/Budget**") according to factors such as the proposed scope of work and the requirements of the bidding invitations; and (ii) gross profit to be accepted by the Group (the "**Chuanwei GP**"). After the tender is awarded, the agreement to be entered into with the customer will be reviewed and approved by the relevant internal departments of the Company. The Group prepared a detailed budget according to the contract requirements upon entering into the project contract. The detailed budget is subject to the approval by the operational decision-making committee of the Company, which comprises president and vice presidents of the Company, and will be used as the assessment standard for budget management.



## LETTER FROM GRAM CAPITAL

To assess the fairness and reasonableness of the contract value, we perform the following analyses, in particular, analyses on Chuanwei Cost/Budget:

We enquired into the Directors regarding the estimated total cost/budget (i.e. the Chuanwei Cost/Budget) of Chongqing Chuanwei EPC Project and Chuanwei GP for our due diligence purpose. We further understood from the Directors that the Chuanwei Cost/Budget constituted five parts, i.e. equipment procurement costs; materials costs, installment costs, construction costs and other costs.

To assess the fairness and reasonableness of the Chuanwei Cost/Budget, upon our further request, the Company provided a list, showing all estimated equipment, materials and construction services to be provided by the Group in respect of Chongqing Chuanwei EPC Project.

We understood from the Directors that under the EPC project business model, the Group entered into project contracts with clients and act as the primary contractor. The Group will be mainly responsible for the design of the client's project; procurement and selection of various environment protection materials and equipment from domestic and overseas suppliers; construction subcontracting and overseeing of the project construction and equipment installment work; testing, inspection and trial operation of the facilities; and delivery of finished project to the client upon its completion after inspection by the competent government authority or independent third parties or customers. As such, the Group, being an independent flue gas treatment integrated service provider, would procure materials/equipment from other suppliers and subcontracting certain construction services for EPC projects.

We therefore selected three items from each category as shown in the above-mentioned list on a random basis and requested the Company to provide the Group's historical purchase cost of such items. We noted that the estimated costs of selected items for Chongqing Chuanwei EPC Project were not lower than prices offered by other suppliers to the Group (i.e. the cost of such items for the Group). As such, we consider the Chuanwei Cost/Budget to be reasonable.

We also obtained the Chuanwei Tender Documents and noted that Chongqing Chuanwei set a ceiling on estimated contract value of the Chongqing Chuanwei EPC Project at RMB206 million. The aforesaid estimated ceiling contract value applied to all participants. The contract value of the Chongqing Chuanwei EPC Contract, being RMB205.88 million, represented a slight discount of approximately 0.06% to the estimated ceiling contract value.

We understood from the Directors that the Group expected to record gross profit from Chongqing Chuanwei EPC Project. The Directors further confirmed us that the Company did not enter any petrochemical industry related EPC project previously which was similar to Chongqing Chuanwei EPC Project with independent third party.

## LETTER FROM GRAM CAPITAL

In light of the above factors, including (i) the Chuanwei Cost/Budget is reasonable; (ii) Chongqing Chuanwei set a ceiling on estimated contract value of the Chongqing Chuanwei EPC Project and the contract value of the Chongqing Chuanwei EPC Contract represented a slight discount of approximately 0.06% to the estimated ceiling contract value; (iii) the Group expected to record gross profit from Chongqing Chuanwei EPC Project, we consider that the contract value of Chongqing Chuanwei EPC Contract is fair and reasonable.

### Adjustment

With reference to the Board Letter, the final contract value will be subject to certain adjustments as mentioned above. We noted from the Chongqing Chuanwei EPC Contract that the adjustment formula was the same as adjustment formula as set out in Chuanwei Tender Documents. We noted from template of tender documents for Chuanwei EPC Projects, Chongqing Chuanwei required all participants to adjust the final contract value for Chuanwei EPC Projects in the similar circumstances as set out in the Chongqing Chuanwei EPC Contract. As such, we consider the adjustment method to be acceptable.

Having considered the following factors, including:

- (i) the contract value of Chongqing Chuanwei EPC Contract is fair and reasonable;
- (ii) the adjustment method to be acceptable;
- (iii) that save for the contract value, which will be the bidding price offered by the successful bidder at the open tender for the Chongqing Chuanwei EPC Project, and technical proposal, other key terms of the Chongqing Chuanwei EPC Project (i.e. payment terms, default, quality warranty, etc.), which were set out in the Chuanwei Tender Document and same to all possible service providers,

we are of the view that the Chongqing Chuanwei EPC Contract are on normal and commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### B. *Ningbo Procurement Contract*

Date: 14 September 2018

Parties: Sinopec Ningbo (purchaser); and Beijing Boqi (seller)

Project description: Provide technical services of design, procurement of denitrification system for the project site of Sinopec Ningbo at the Sino-Kuwait Power Station until the expiry of the quality assurance period after delivery for normal operation

## LETTER FROM GRAM CAPITAL

|                  |   |
|------------------|---|
| Scope of work:   | In terms of design, installation guidance, testing, operation, maintenance, procurement of purchased components and during the construction process, the materials provided and the technology delivered shall strictly comply with the requirements under the Ningbo Procurement Contract and relevant technical agreement |
| Completion date: | May 2019  |
| Contract value:  | RMB24,800,000   |
| Contract value   |   |

With reference to the Board Letter, the pricing of the Ningbo Procurement Contract is determined by negotiations between Sinopec Ningbo and Beijing Boqi on an arm's length basis with reference to the certain factors. Details of the factors are set out under the sub-section headed "Basis for pricing" under section headed "Ningbo Procurement Contract" of the Board Letter.

The Company selected and followed up with the Ningbo Procurement Contract from the open tender project in the market, which included preliminary technical communication and promotion as well as participation in open bidding process. While preparing the tender documents (the "Ningbo Tender Documents") for Ningbo Procurement Project, the Company calculated preliminary contract value (i.e. RMB24.8 million) based on, among other things, a preliminary budget (the "Ningbo Cost/Budget") according to factors such as the proposed scope of work and the requirements of the bidding invitations. After the tender is awarded, the agreement to be entered into with the customer will be reviewed and approved by the relevant internal departments of the Company. The Group prepared a detailed budget according to the contract requirements upon entering into the project contract. The detailed budget is subject to the approval by the operational decision-making committee of the Company, which comprises president and vice presidents of the Company, and will be used as the assessment standard for budget management in the following implementation phase.

To assess the fairness and reasonableness of the contract value, we perform the following analyses, in particular, analyses on Ningbo Cost/Budget:

We enquired into the Directors regarding the estimated total cost/budget (i.e. the Ningbo Cost/Budget) and estimated profit margin of Ningbo Procurement Project. We understood from the Directors that the Ningbo Cost/Budget mainly constituted two parts, i.e. equipment/materials procurement costs; other costs (e.g. installment costs, transportation costs, training cost, etc.). The contract value of Ningbo Procurement Contract represented the Ningbo Cost/Budget.

To assess the fairness and reasonableness of the Ningbo Cost/Budget, upon our further request, the Company provided a list, showing all estimated equipment/materials and related services to be provided by the Group in respect of Ningbo Procurement Project.

## LETTER FROM GRAM CAPITAL

As mentioned above, the Group, being an independent flue gas treatment integrated service provider, would procure materials/equipment from other suppliers and subcontracting certain construction services for EPC projects. In addition, the Directors further advised us that the Company are able to make adjustments to the EPC model, such as EP (equipment design and procurement), PC (procurement and construction), P (procurement) and etc..

We therefore selected three items from the above-mentioned list on a randomly basis and requested the Company to provide the Group's historical purchase cost of such items. We noted that the estimated cost of selected items for Ningbo Procurement Project were not lower than the prices offered by other suppliers to the Group (i.e. the cost of such items for the Group). As such, we consider the Ningbo Cost/Budget to be reasonable.

As mentioned above, the contract value of Ningbo Procurement Contract represented the Ningbo Cost/Budget. The Directors further advised us that such arrangement was determined after taking into account of (i) the Group's endeavor to develop business relationship with Sinopec Ningbo; and (ii) the Group's anticipation of acquiring future projects from Sinopec Ningbo.

The Directors further advised us that Sinopec Ningbo is the main contractor of the 中科合資廣東煉化一體化項目動力站循環流化床鍋爐脫硝裝置超排改造項目 (Ultra-low Emission Upgrade Project of the Denitrification System for Circulating Fluidized Bed Boiler of Power Station in Sino-Kuwait Joint Venture Refinery Integration Project\*) under ZhongKe (Guangdong) Refinery & Petrochemical Company Limited. By obtaining the supply contract for denitrification equipment (i.e. the Ningbo Procurement Project), the Company intended to establish business relations with Sinopec Ningbo and use this cooperation as a stepping stone towards obtaining more contracts in respect of the other projects from Sinopec Ningbo. As also confirmed by the Directors, before the participation of Ningbo Procurement Project's tender process, the Group consider that the Group will have a higher chance to win the bid if the Group submit a lower price.

We noted from the Prospectus that during the period from 1 January 2014 to 30 September 2017 (the "**Previous Period**"), the Group undertook 16 loss-making EPC projects with a total contract value of RMB976 million. The total losses incurred on these projects during the Previous Period amounted to RMB48 million. The Group incurred the loss-making EPC projects primarily due to (i) their efforts to expend into new markets and to maintain customers; (ii) additional work or changes of construction plan as required by customers; or (iii) delays in the construction progress or changes of construction subcontractors due to reasons arising from customers.

As such, we do not consider the arrangement for contract value and Ningbo Cost/Budget of Ningbo Procurement Project to be exceptional to the Group.

## LETTER FROM GRAM CAPITAL

In light of the above factors, including (i) the Ningbo Cost/Budget is reasonable; (ii) the arrangement for contract value and Ningbo Cost/Budget of Ningbo Procurement Project not to be exceptional to the Group; and (iii) the Company intended to establish business relations with Sinopec Ningbo and use this cooperation as a stepping stone towards obtaining more contracts in respect of the other projects from Sinopec Ningbo, we consider that the contract value of Ningbo Procurement Contract is fair and reasonable.

Having considered the above and that save for the contract value, which will be the bidding price offered by the successful bidder at the open tender for the Ningbo Procurement Project, and technical proposal, other key terms of the Ningbo Procurement Project (i.e. payment terms, default, quality warranty, etc.), which were set out in the Ningbo Tender Document and same to all possible service provider similar to any successful bidders, we are of the view that the Ningbo Procurement Contract are on normal and commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

#### 4. Proposed Annual Caps

With reference to the Board Letter, the Proposed Annual Caps for the transactions under Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract are as follows:

|                      | For the period<br>from date of<br>EGM to<br>31 December 2018<br><i>RMB</i> | For the year<br>ending<br>31 December 2019<br><i>RMB</i> | For the year<br>ending<br>31 December 2020<br><i>RMB</i> | For the<br>period from<br>1 January 2021 to<br>the 36th month<br>from the date<br>of EGM<br>(expected to be<br>November 2021)<br><i>RMB</i> |
|----------------------|--|--|--|---|
| Proposed Annual Caps | 39,426,200   | 121,006,185  | 90,586,831   | 2,728,000   |

The Proposed Annual Caps for the period from date of EGM to the 36th month from the date of EGM (the “**Period**”) were determined after taking into account of certain factors by the Directors. Details of the factors were set out under the section headed “Proposed Annual Caps” of the Board Letter.

Upon our enquiry, we understood from the Directors that the Proposed Annual Caps was calculated by (i) anticipated income under each of the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract after taking into account of the adjustment factors; and (ii) a buffer of 10%.

## LETTER FROM GRAM CAPITAL

### *Anticipated income*

For our due diligence purpose, we obtained estimated time schedules of Chongqing Chuanwei EPC Project and Ningbo Procurement Project respectively. To understand the estimated time schedules, we discussed with management of the Company, who was in charge of Technology and Economy Department (技經部) and Bidding Management Department (招標管理部) and has over 30-year experience in estimation of budget/construction cost of projects, and staffs of Project Management Centre (工程管理中心) (the “**Relevant Staffs**”), who have over 10-year experience in EPC projects and are the project managers of the Chuanwei EPC Project and Ningbo Procurement Project respectively. As advised by the Relevant Staffs, the anticipated income was determined based on estimated construction plan during the construction process, which was further estimated based on projects experience. During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimated time schedules. Having considered the experience of Relevant Staffs and our discussion as mentioned above, we consider the estimated time schedules to be reasonable.

We noted from the Ningbo Procurement Contract that the completion date of Ningbo Procurement Project to be May 2019. However, the Company would receive anticipated income during 2021. According to sub-section headed “Payment schedule” under section headed “Ningbo Procurement Contract” of the Board Letter that Sinopec Ningbo shall pay the remaining amount to Beijing Boqi within 45 working days after the quality guarantee period. Pursuant to the Ningbo Procurement Contract, quality guarantee period is 24 months after passing of performance evaluation. As such, we do not doubt the reasonableness of arrangement regarding anticipated income for 2021.

### *Buffer*

As mentioned above, when determining the abovementioned Proposed Annual Caps for the Period, a buffer of 10% was applied on the anticipated incomes for each of the Period.

With reference to the Board Letter, tentative estimated total value – contract value may vary according to, among other things, (i) ad hoc adjustments in the scope of work, (ii) changes in equipment models, (iii) ad hoc requests of Chongqing Chuanwei. As such, additional works as required by Chongqing Chuanwei based on the construction plan during the construction process of the contracts or the occurrence of any unforeseeable changes which may involve unpredictable expenses, shall be settled by payment subject to negotiations between the parties.

In addition, as the anticipated income was estimated according to the estimated time schedules of the projects, any postponed or expedited completion of the projects at any stage may cause the change of actual income to be received during each of the Period. In the event that the aforesaid circumstances takes place, it would be impractical or unbenefited to revised proposed annual cap for such period or postpone the receipt of progress payment.

In light of the above factors, the Directors consider that a buffer of 10% on the anticipated income for the Period to be acceptable.

## LETTER FROM GRAM CAPITAL

Having considered the above factors, we are of the view that the proposed annual caps for the Period to be fair and reasonable.

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, and they do not represent forecasts of revenue/income/cost to be incurred from the Chongqing Chuanwei EPC Project and Ningbo Procurement Project. Consequently, we express no opinion as to how closely the actual revenue/income to be incurred from the transactions contemplated under the Chongqing Chuanwei EPC Project and Ningbo Procurement Project will correspond with the Proposed Annual Caps.

### **5. 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 actual amounts of the Projects must be restricted by the Proposed Annual Caps for the Period; (ii) the Projects must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the Projects must be included in the Company's subsequent published annual reports and financial accounts.

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 Projects (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by 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 annual caps. In the event that the actual amounts of the Projects are anticipated to exceed the Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the deposit service and thus the interest of the Independent Shareholders would be safeguarded.

## LETTER FROM GRAM CAPITAL

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract 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 resolution(s) to be proposed at the EGM to approve Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract and transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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



## 1. RESPONSIBILITY STATEMENT

This 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 Group. The Directors, having made all reasonable enquiries, confirm that 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.

## 2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### Interests in Shares

| Name of Director                            | Nature of Interest  | Number and class of Shares     | Approximate percentage of shareholding |
|---|---|--------------------------------|--|
| Mr. Cheng Liquan Richard<br>(Notes 1 and 2) | Interest of a controlled corporation; interests held jointly with another person (Note 1) | 405,331,911<br>(Long Position) | 40.10%                                 |
| Mr. Zeng Zhijun<br>(Notes 1 and 3)          | Interest of a controlled corporation; interests held jointly with another person (Note 1) | 405,331,911<br>(Long Position) | 40.10%                                 |
| Mr. Zhu Weihang<br>(Note 4)                 | Interest of a controlled corporation; interests held jointly with another person (Note 1) | 152,573,529<br>(Long Position) | 15.09%                                 |

*Notes:*

- (1) Mr. Cheng Liquan Richard and Mr. Zeng Zhijun have entered into an acting-in-concert arrangement. As such, Mr. Cheng and Mr. Zeng together control 40.10% equity interests in the issued share capital of our Company through World Hero International Limited (“**World Hero**”), Asia Environment Investment Limited (“**Asia Environment**”) and Best Dawn Limited (“**Best Dawn**”). Asia Environment is owned as to 47.2% by Mr. Zeng. Asia Environment is interested in 2.67% interest in the issued share capital of the Company, and therefore Mr. Zeng is deemed to be interested in the Shares held by Asia Environment under Part XV of the SFO.
- (2) Mr. Cheng holds the entire issued share capital of World Hero. Therefore, Mr. Cheng is deemed to be interested in the Shares held by World Hero under the SFO.
- (3) Mr. Zeng holds the entire issued share capital of Best Dawn. Therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn under the SFO.
- (4) The entire issued share capital of New Asia Limited (“**New Asia**”) is held by Great Origin Ventures Limited (“**Great Origin**”), whose entire issued share capital is in turn held by Mr. Zhu. Therefore, Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) 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 were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

### 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors and chief executive of the Company) had interests or short positions 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:

| Name of shareholder                            | Capacity/<br>Nature of interests   | As at 30 June 2018   |  |
|--|--|--|--|
|  |  | Number of<br>Shares/underlying<br>Shares held or<br>deemed to be<br>held<br>(Shares) | Percentage of<br>the total number<br>of Shares of the<br>Company <sup>(1)</sup><br>(%) |
| Mr. Cheng<br>Liquan Richard<br>(Notes 1 and 2) | Interest of a controlled<br>corporation; interests<br>held jointly with<br>another person (Note 1) | 405,331,911<br>(Long Position)   | 40.10%   |
| World Hero (Note 2)                            | Beneficial owner   | 168,134,580<br>(Long Position)   | 16.63%   |
| Ms. Zhou Xuan (Note 3)                         | Interest of spouse   | 405,331,911<br>(Long Position)   | 40.10%   |
| Mr. Zeng Zhijun<br>(Notes 1 and 4)             | Interest of a controlled<br>corporation; interests<br>held jointly with<br>another person (Note 1) | 405,331,911<br>(Long Position)   | 40.10%   |
| Best Dawn (Note 4)                             | Beneficial owner   | 209,355,143<br>(Long Position)   | 20.71%   |
| Ms. Ge Tong (Note 5)                           | Interest of spouse   | 405,331,911<br>(Long Position)   | 40.10%   |
| New Asia                                       | Beneficial owner   | 152,573,529<br>(Long Position)   | 15.09%   |
| Great Origin (Note 6)                          | Interest of a controlled<br>corporation  | 152,573,529<br>(Long Position)   | 15.09%   |
| Mr. Zhu Weihang<br>(Note 6)                    | Interest of a controlled<br>corporation  | 152,573,529<br>(Long Position)   | 15.09%   |

| Name of shareholder   | Capacity/<br>Nature of interests        | As at 30 June 2018   |  |
|---|---|--|--|
|   |   | Number of<br>Shares/underlying<br>Shares held or<br>deemed to be<br>held<br>(Shares) | Percentage of<br>the total number<br>of Shares of the<br>Company <sup>(1)</sup><br>(%) |
| Sinopec Overseas<br>Investment Holding<br>Limited (“Sinopec”) | Beneficial owner                        | 110,294,118<br>(Long Position)   | 10.91%   |
| China Petroleum &<br>Chemical Corporation<br>(Note 7)         | Interest of a controlled<br>corporation | 110,294,118<br>(Long Position)   | 10.91%   |
| Full Synergy<br>Investment Limited<br>(“Full Synergy”)        | Beneficial owner                        | 56,508,715   | 5.59%  |
| Partners Investment<br>Management Limited<br>(Note 8)         | Interest of a controlled<br>corporation | 56,508,715   | 5.59%  |
| Bullion Riches Limited<br>(Note 8)                            | Interest of a controlled<br>corporation | 56,508,715   | 5.59%  |
| Partners Financial<br>Holdings Limited<br>(Note 8)            | Interest of a controlled<br>corporation | 56,508,715   | 5.59%  |
| Bright Hope Global<br>Investments Limited<br>(Notes 8 and 9)  | Interest of a controlled<br>corporation | 56,508,715   | 5.59%  |
| Wan Ten Lap<br>(Notes 8 and 9)                                | Interest of a controlled<br>corporation | 56,508,715   | 5.59%  |
| Zhang Yi<br>(Notes 8 and 9)                                   | Interest of a controlled<br>corporation | 56,508,715   | 5.59%  |

*Notes:*

- (1) Mr. Cheng Liquan Richard and Mr. Zeng Zhijun have entered into an acting-in-concert arrangement. As such, Mr. Cheng and Mr. Zeng together control 40.10% equity interests in the issued share capital of our Company through World Hero, Asia Environment and Best Dawn. Asia Environment is owned as to 47.2% by Mr. Zeng. Asia Environment is interested in 2.67% interest in the issued share capital of our Company, and therefore Mr. Zeng is deemed to be interested in the Shares held by Asia Environment under Part XV of the SFO.
- (2) Mr. Cheng holds the entire issued share capital of World Hero. Therefore, Mr. Cheng is deemed to be interested in the Shares held by World Hero under the SFO.
- (3) Ms. Zhou Xuan is the spouse of Mr. Cheng. Under the SFO, Ms. Zhou Xuan is deemed to be interested in the same number of Shares in which Mr. Cheng is interested.
- (4) Mr. Zeng holds the entire issued share capital of Best Dawn. Therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn under the SFO.
- (5) Ms. Ge Tong is the spouse of Mr. Zeng. Under the SFO, Ms. Ge Tong is deemed to be interested in the same number of Shares in which Mr. Zeng is interested.
- (6) The entire issued share capital of New Asia is held by Great Origin, whose entire issued share capital is in turn held by Mr. Zhu. Therefore, Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.
- (7) China Petroleum & Chemical Corporation holds the entire issued share capital of Sinopec. Therefore, China Petroleum & Chemical Corporation is deemed to be interested in the Shares held by Sinopec under the SFO. China Petroleum & Chemical Corporation is a PRC state-owned company, whose H shares are listed on the Main Board (stock code: 386).
- (8) Full Synergy, a company incorporated in the BVI on 2 April 2015, is an investment holding company and a wholly-owned subsidiary of Partners Investment Management Limited. Partners Investment Management Limited is wholly owned by Bullion Riches Limited, which in turn is wholly owned by Partners Financial Holdings Limited. Partners Financial Holdings Limited is a financial holding company, whose subsidiaries are licensed corporations under the SFO holding type 1, type 4, type 6 and type 9 licences in Hong Kong. Full Synergy is the issuer of structured notes, of which one of the subscribers is a fund established in the PRC. Mr. Cheng, through World Hero, subscribed approximately 2.96% of the limited partner interest in such fund. Mr. Cheng does not hold any interest in the general partner of the fund, and is not involved in the decision making process of the fund.
- (9) Bright Hope Global Investments Limited and Wan Ten Lap own 44% and 51%, respectively, of Partners Financial Holdings Limited, the holding company of Full Synergy. Zhang Yi in turn owns 100% of Bright Hope Global Investments Limited. Under the SFO, Bright Hope Global Investments Limited, Wan Ten Lap and Zhang Yi are deemed to be interested in the same number of Shares in which Full Synergy is interested.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the 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.

#### **4. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

Saved as disclosed in this Circular, our Directors confirm that, as of the Latest Practicable Date, none of the Directors or their close associates had any direct or indirect interest in any business which competes or might compete with our principal business.

## 5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

## 6. 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 2017 (being the date to which the latest published consolidated audited financial statements of the Group were made up).

## 7. SERVICE AGREEMENTS

None of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

## 8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group has engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any members of the Group.

## 9. EXPERT AND QUALIFICATION

- (a) Gram Capital is a Licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- (b) As at Latest Practicable Date, Gram Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statements and references to its name in the form and context in which they are included. The letter, statements and recommendations therein given by Gram Capital are given as of the date of this circular for incorporation herein.
- (c) As at the Latest Practicable Date, Gram Capital did not have any shareholding, directly or indirectly, 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.

- (d) As at the Latest Practicable Date, Gram Capital did not have any interest, directly or indirectly, in any asset which had been, since 31 December 2017 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by, or leased to or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

#### 10. MISCELLANEOUS

- (a) The registered office of the Company is at PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands, and the principal place of business in Hong Kong is at 40/F., Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.
- (b) The branch share registrar of the Company is Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The joint company secretaries are Ms. Qian Xiaoning and Ms. Wong Wai Ling.
- (d) The English text of this circular shall prevail over the Chinese text.

#### 11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong, during normal business hours on any weekday (except public holidays), up to and including 14 days from the date of this circular:

- (a) the Chongqing Chuanwei EPC Contract;
- (b) the Ningbo Procurement Contract;
- (c) the contracts of the Historical Connected Transactions;
- (d) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (e) the letter from Gram Capital, the text of which is set out in the section headed "Letter from Gram Capital" of this circular;
- (f) the written consent referred to in paragraph headed "10. EXPERT AND QUALIFICATION" in this appendix; and
- (g) this circular.

\* For identification purpose only

## NOTICE OF EGM



### 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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of the shareholders of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**”) will be held at the first conference room of the Company at 11/F, R&F Center, 63 East 3rd Ring Middle Road, Chaoyang District, Beijing, the PRC on Wednesday, 21 November 2018 at 10:30 a.m. (the “**Meeting**”) for the purposes of considering and, if thought fit, passing the following matters. Terms used in this Notice shall have the same meanings as those defined in the Circular of the Company date 31 October 2018 (the “**Circular**”) unless otherwise defined.

#### ORDINARY RESOLUTION

- (1) To consider and approve the Chongqing Chuanwei EPC Contract, including the transaction thereunder.
- (2) To consider and approve the Ningbo Procurement Contract, including the transaction thereunder.
- (3) To consider and approve the Proposed Annual Caps.

By order of the Board of Directors

**Mr. Cheng Liquan Richard**

程里全

*Chairman*

Hong Kong, 31 October 2018

*As at the date of this notice, the Board comprises Mr. Cheng Liquan Richard and Mr. Zeng Zhijun, as executive Directors; Mr. Tony Tuo Zheng, Mr. Chen Xue and Mr. Zhu Weihang, as non-executive Directors; and Dr. Xie Guozhong, Mr. Liu Genyu and Mr. Lu Zhifang, as independent non-executive Directors.*

*Notes:*

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A member who is a recognized clearing house within the meaning of the Securities and Futures Ordinance is entitled to appoint one or more proxies to attend and vote on its behalf. A proxy need not be a member of the Company.



## NOTICE OF EGM

2. In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the above meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
3. In order to be valid, a form of proxy must be deposited at the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. The register of members of the Company will be closed from Friday, 16 November 2018 to Wednesday, 21 November 2018 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4: 30 p.m. on Thursday, 15 November 2018 for registration of share transfer.
5. The votes at the Meeting will be taken by poll.