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**China Boqi Environmental (Holding) Co., Ltd.**  
**中國博奇環保(控股)有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2377)**

**ANNOUNCEMENT  
CONNECTED TRANSACTIONS –  
CONSTRUCTION SUBCONTRACTING AND SUPPLY CONTRACTS**

**ENTERING INTO CONSTRUCTION SUBCONTRACTING AND SUPPLY CONTRACTS**

On 3 December 2018, Beijing Boqi Electric Power SCI-TECH Co., Ltd. (“**Beijing Boqi**”) (a wholly-owned subsidiary of the Company) and Sinopec Fifth Construction Co., Ltd. (“**Sinopec Fifth Construction**”) entered into four construction subcontracting and supply contracts (collectively referred to as the “**Construction Subcontracting and Supply Contracts**”).

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, China Petroleum & Chemical Corporation holds 10.91% equity interest in the Company through its wholly-owned subsidiary, Sinopec Overseas Investment Holdings Limited (“**Sinopec Overseas**”). Sinopec Fifth Construction is controlled by China Petrochemical Corporation through Sinopec Engineering (Group) Co., Ltd. and Sinopec Asset Management Co., Ltd. China Petroleum & Chemical Corporation (the parent company of Sinopec Overseas) and Sinopec Engineering (Group) Co., Ltd. (the parent company of Sinopec Fifth Construction) are fellow subsidiaries of China Petrochemical Corporation. Therefore, according to the Listing Rules, they are connected persons of the Company at the issuer level. The Construction Subcontracting and Supply Contracts accordingly constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.81 of the Listing Rules, if a series of connected transactions are entered into or completed within 12 months or are otherwise interrelated, then such connected transactions shall be aggregated. Given the Construction Subcontracting and Supply Contracts are entered into between Beijing Boqi and Sinopec Fifth Construction and of the same transaction nature, the contract values of such contracts shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratio (except for the profit ratio) upon aggregation exceeded 0.1% but was less than 5%, the contracts are subject to the reporting and announcement requirements but exempted from the circular and shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

The Board of Directors of the Company is pleased to announce that on 3 December 2018, Beijing Boqi (a wholly-owned subsidiary of the Company) and Sinopec Fifth Construction entered into the Construction Subcontracting and Supply Contracts.

## **Background**

Beijing Boqi and Sinopec Shanghai Petrochemical Company Limited entered into (i) an EPC master contract for the cogeneration upgrade project of the Sinopec Shanghai for the compliance with emission standard and (ii) an EPC master contract for the upgrade of #3 and #4 boilers of the Sinopec Shanghai for the compliance with emission standard on 1 March, 2017 and 7 September, 2017, respectively; Beijing Boqi and Chongqing Chuanwei Petrochemical Engineering Company Limited entered into an EPC master contract regarding the upgrade project on ultra-low emissions of coal-fired boiler on 14 September, 2018. Given Beijing Boqi is the main contractor of such projects and responsible for the design, procurement of the equipment and materials and project construction as well as installation, Beijing Boqi engages a sub-contractor, in order to enhance the construction efficiency and cost-saving. Therefore, it entered into the Construction Subcontracting and Supply Contracts with Sinopec Fifth Construction.

### **1. Construction sub-contract in relation to the maintenance and general E&I finishing (defect elimination) work of #1/2/5/7 boilers under the EPC master contract for the ultra-low emission upgrade project of cogeneration boilers of Sinopec Shanghai for the compliance with emission standard (“Construction Sub-contract 1”)**

The principal terms of the Construction Sub-contract 1 are summarized as below:

**Date of signing:** 3 December 2018

**Parties:** (1) Beijing Boqi (main contractor)  
(2) Sinopec Fifth Construction (subcontractor)

**Scope of work:** Sinopec Fifth Construction is responsible for the maintenance and general E&I finishing (defect elimination) work of Boilers #1/2/5/7, which includes the procurement, transportation, installation and inspection of the materials according to the required design and specifications.

<b>Total construction term:</b>	30 days
<b>Contract value:</b>	RMB550,000 (Fixed sum)
<b>Pricing basis</b>	<p>The parties determined the contract value after an arm's length negotiation with reference to the following factors:</p> <ul style="list-style-type: none"> <li>(i) the cost of the raw materials, equipment and labour quoted by the subcontractor with reference to their prevailing market prices;</li> <li>(ii) scope of onsite works and the complexity of the practical execution; and</li> <li>(iii) general industry standard and pricing for similar works in historical projects.</li> </ul>
<b>Payment schedule:</b>	<ul style="list-style-type: none"> <li>(1) Beijing Boqi shall make such payment to Sinopec Fifth Construction once a month according to construction progress. When such progress payment is made up to 85% of the work scope as set out in the itemised breakdown of work scope, payment shall be suspended;</li> <li>(2) After the construction is inspected and accepted by Beijing Boqi and the site owner upon completion, Sinopec Fifth Construction shall arrange settlement and then Beijing Boqi shall make a payment up to 95% of the total contract value;</li> <li>(3) Quality assurance deposit, which is 5% of the contract value, shall be paid after the quality assurance period.</li> </ul>
<b>Quality assurance period:</b>	One year from the date of acceptance of construction

**2. Supplemental contract to the sub-contract in relation to maintenance work under the EPC master contract for the upgrade project of #3 and #4 boilers of Sinopec Shanghai’s thermal power division for the compliance with emission standard (includes the expedited works for #3 boiler) (“Construction Sub-contract 2”)**

The principal terms of the Construction Sub-contract 2 are summarized as below:

<b>Date of signing:</b>	3 December 2018
<b>Parties:</b>	(1) Beijing Boqi (main contractor) (2) Sinopec Fifth Construction (subcontractor)
<b>Scope of work:</b>	Beijing Boqi subcontracts the maintenance work to Sinopec Fifth Construction, after an arm’s length negotiation between the parties, includes the expedited works for #3 boiler. This includes the construction, equipment transportation, labour, adjustment and testing and management under this work.
<b>Total construction term:</b>	30 days
<b>Contract value:</b>	RMB950,000 (Fixed sum)
<b>Pricing basis:</b>	This amount is agreed by Beijing Boqi and Sinopec Fifth Construction after an arm’s length negotiation with reference to normal commercial terms and market price of similar projects.
<b>Payment schedule:</b>	(1) Beijing Boqi shall make payment to Sinopec Fifth Construction once a month according to construction progress. When such progress payment is made up to 85% of the work scope as set out in the itemised breakdown of work scope, payment shall be suspended; (2) After the construction is inspected and accepted by Beijing Boqi and the site owner upon completion, Sinopec Fifth Construction shall arrange settlement and then Beijing Boqi shall make a payment up to 95% of the total contract value; (3) Quality assurance deposit, which is 5% of the contract value, shall be paid after the quality assurance period.
<b>Quality assurance period:</b>	One year from the date of acceptance of construction

**3. Material supply contract in relation to the ultra-low emission dust removal upgrade project of #1, #2 and #3 coal-fired boilers of Chongqing Chuanwei Petrochemical Engineering Company Limited\* (“Supply Contract”)**

The principal terms of the Supply Contract are summarized as below:

<b>Date of signing:</b>	3 December 2018
<b>Parties:</b>	(1) Beijing Boqi (main contractor) (2) Sinopec Fifth Construction (subcontractor)
<b>Scope of work:</b>	Beijing Boqi subcontracts the supply of materials to Sinopec Fifth Construction for the construction safety work of the dust removal upgrade project, including dust collectors, steel frames, steel pipes, structural steel, thermal insulation materials, lighting and fireproof materials. All of the above main and supplementary materials and consumables shall be procured and supplied by Sinopec Fifth Construction.
<b>Construction term:</b>	To be completed by February 2020
<b>Adjustment to contract value:</b>	The contract value may vary slightly according to ad hoc adjustments in the scope of work and design.
<b>Contract value:</b>	RMB13,951,170 (tentative)
<b>Pricing basis</b>	The parties determined the contract value after an arm’s length negotiation with reference to the following factors:  (i) the pricing of similar equipment and materials for other projects of the Group in the past;  (ii) the agreement with bidder based on the price quoted through the project’s bidding process; and  (iii) the average market price of similar projects.

- Payment schedule:**
- (1) When Sinopec Fifth Construction completes the required works on the interim completion date of a month, Beijing Boqi shall make progress payment that a month according to the construction progress.
  - (2) When progress payment is made up to 85% of the actual work scope as set out in the itemised breakdown of work scope, Beijing Boqi shall suspend its payment.
  - (3) After the supplied materials is inspected and accepted by Beijing Boqi and the site owner upon completion, settlement shall be arranged and a payment up to 95% of the total contract value shall be made.
  - (4) Quality assurance deposit, which is 5% of the settlement amount, shall be paid after the quality assurance period.

**Quality assurance period:** One year from the earlier of the date of certificate of preliminary inspection of the dust removal project, or the date of acceptance of completion.

**4. Construction sub-contract in relation to the ultra-low emission dust removal upgrade project of #1, #2 and #3 coal-fired boilers of Chongqing Chuanwei Petrochemical Engineering Company Limited\* (重慶川維化工有限公司) (“Construction Sub-contract 3”)**

The principal terms of the Construction Sub-contract 3 are summarized as below:

**Date of signing:** 3 December 2018

**Parties:**

- (1) Beijing Boqi (main contractor)
- (2) Sinopec Fifth Construction (subcontractor)

**Scope of work:** Beijing Boqi subcontracts the construction safety work of the dust removal upgrade project to Sinopec Fifth Construction. This includes the preparation of the construction, dismantling of the whole original dust removal system, base construction, installation of dust removal and adjustment and testing.

**Construction term:** Completion before February 2020

**Contract value:** RMB23,724,579 (tentative)

**Adjustment to contract value:** The contract value may vary slightly according to ad hoc adjustments in the scope of work and design.

**Pricing basis**

The parties determined the contract value after an arm's length negotiation with reference to the following factors:

- (i) the pricing of similar equipment and materials for other projects of the Group in the past;
- (ii) the agreement with bidder based on the price quoted through the project's bidding process; and
- (iii) the average market price of similar projects.

**Payment schedule:**

- (1) When Sinopec Fifth Construction completes the required work on the interim completion date of a month, Beijing Boqi shall make progress payment once a month according to the construction progress.
- (2) When progress payment is made up to 85% of the work scope as set out in the itemised breakdown of work scope, Beijing Boqi shall suspend its payment.
- (3) After the supplied materials is inspected and accepted by Beijing Boqi and the site owner upon completion, settlement shall be arranged and a payment up to 95% of the total contract value shall be made.
- (4) Quality assurance deposit shall be 5% of the settlement amount upon completion.

**Quality assurance period:**

One year from the earlier of the date of certificate of preliminary inspection of the dust removal project, or the date of acceptance of completion.

## THE REASONS FOR AND BENEFITS OF SIGNING THE CONTRACTS

Sinopec Fifth Construction possesses advanced capabilities in construction and material supply. The signing of the Construction Subcontracting and Supply Contracts enables the Company to complete the EPC master contract for the ultra-low emission upgrade project of cogeneration boilers of Sinopec Shanghai for the compliance with emission standard, as well as the dust removal upgrade work of the ultra-low emission upgrade project of coal-fired boilers of Chongqing Chuanwei Petrochemical Engineering Company Limited\*, in a more efficient manner with higher quality and cost-savings.

The Board of Directors (including the independent non-executive Directors) considers that the terms of the Construction Subcontracting and Supply Contracts are fair and reasonable, and the Construction Subcontracting and Supply Contracts are entered into on normal commercial terms and are in the interests of the Company and its shareholders as a whole.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, China Petroleum & Chemical Corporation holds 10.91% equity interest in the Company through its wholly-owned subsidiary, Sinopec Overseas Investment Holdings Limited (“**Sinopec Overseas**”). Sinopec Fifth Construction is controlled by China Petrochemical Corporation through Sinopec Engineering (Group) Co., Ltd. and Sinopec Asset Management Co., Ltd. China Petroleum & Chemical Corporation (the parent company of Sinopec Overseas) and Sinopec Engineering (Group) Co., Ltd. (the parent company of Sinopec Fifth Construction) are fellow subsidiaries of China Petrochemical Corporation. Therefore, according to the Listing Rules, they are connected persons of the Company at the issuer level. The Construction Subcontracting and Supply Contracts accordingly constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.81 of the Listing Rules, if a series of connected transactions are entered into or completed within 12 months or are otherwise interrelated, then such connected transactions shall be aggregated and treated as if they were one transaction. Given the Construction Subcontracting and Supply Contracts are entered into between Beijing Boqi and Sinopec Fifth Construction and of the same transaction nature, the contract values of such contracts shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratio (except for the profit ratio) upon aggregation exceeded 0.1% but was less than 5%, the contracts are subject to the reporting and announcement requirements but exempted from the circular and shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules.

Sinopec Overseas and Sinopec Fifth Construction are members under the group of China Petrochemical Corporation. Therefore, Mr. Chen Xue, being a Director nominated by Sinopec Overseas, is deemed to have a material interest in the connected transactions and has abstained from voting on the resolutions of the Board of Directors in respect of such contracts and the transactions thereunder.



Save as disclosed above, none of the other Directors was required abstain from voting on the resolutions of the Board of Directors for reviewing and approving the Construction Subcontracting and Supply Contracts, nor were they deemed to have any material interests in the Construction Subcontracting and Supply Contracts.

## **INFORMATION ABOUT THE CONTRACTING PARTIES**

### **Information about the Company and Beijing Boqi**

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

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

### **Information about Sinopec Fifth Construction**

Sinopec Fifth Construction, a wholly-owned subsidiary of Sinopec Engineering (Group) Co., Ltd., is the first large-scale engineering construction enterprise engaged in petrochemical construction in China, and a large-scale comprehensive engineering construction enterprise within the group of China Petrochemical Corporation. It is certified with the Level 1 Construction Enterprise Qualification as a main contractor of petrochemical construction, the qualification of foreign engineering contracting, Operating Qualification Certificate for Foreign Economic Cooperation, Building Construction Certificate Grade B and petrochemical pharmaceutical industry (chemical engineering and storage and transportation for petrochemical products) Certificate Grade B Design. It has a construction capacity of over RMB5 billion/year with unique technical advantages.

Sinopec Fifth Construction is controlled by China Petrochemical Corporation through Sinopec Engineering (Group) Co., Ltd. and Sinopec Asset Management Co., Ltd. China Petroleum & Chemical Corporation, Sinopec Engineering (Group) Co., Ltd. and China Petroleum & Chemical Corporation are subsidiaries of China Petrochemical Corporation and China Petroleum & Chemical Corporation wholly owns Sinopec Overseas.

## DEFINITIONS

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

“Board of Directors”	the Board of Directors of the Company;
“Beijing Boqi”	Beijing Boqi Electric Power SCI-TECH Co., Ltd., a limited liability company established in the People’s Republic of China is an indirect wholly-owned subsidiary of the Company;
“Company”	China Boqi Environmental (Holding) Co., Ltd., a company incorporated in Cayman Islands with limited liability and its shares listed on the Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Connected persons”	the meaning as defined in the Listing Rules;
“Connected transactions”	the meaning as defined in the Listing Rules;
“Construction Sub-contract 1”	the construction sub-contract in relation to the maintenance and general E&I finishing (defect elimination) work of #1/2/5/7 boilers under the EPC master contract for the ultra-low emission upgrade project of cogeneration boilers of Sinopec Shanghai for the compliance with emission standard, dated 3 December 2018 entered into between Beijing Boqi and Sinopec Fifth Construction;
“Construction Sub-contract 2”	the supplemental contract to the sub-contract in relation to maintenance work under the EPC master contract for the upgrade project of #3 and #4 boilers of Sinopec Shanghai’s thermal power division for the compliance with emission standard (includes the expedited works for #3 boiler), dated 3 December 2018 entered into between Beijing Boqi and Sinopec Fifth Construction;
“Construction Sub-contract 3”	the construction sub-contract in relation to the ultra-low emission dust removal upgrade project of #1, #2 and #3 coal-fired boilers of Chongqing Chuanwei Petrochemical Engineering Company Limited*(重慶川維化工有限公司), dated 3 December 2018 entered into between Beijing Boqi and Sinopec Fifth Construction;
“RMB”	Renminbi, the lawful currency of the PRC;

“Sinopec Fifth Construction”	Sinopec Fifth Construction Co., Ltd. (中石化第五建設有限公司), a wholly-owned subsidiary of Sinopec Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司);
“Sinopec Overseas”	Sinopec Overseas Investment Holding Limited (中國石化海外投資控股有限公司);
“Subsidiary”	the meaning as defined in the Listing Rules;
“Supply Contract”	Material supply contract in relation to the ultra-low emission dust removal upgrade project of #1, #2 and #3 coal-fired boilers of Chongqing Chuanwei Petrochemical Engineering Company Limited* (重慶川維化工有限公司), dated 3 December 2018 entered into between Beijing Boqi and Sinopec Fifth Construction;
“%”	Percentage.

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

Beijing, 3 December 2018

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

\* *For identification purposes only*