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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 OF AUDITED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 27 March 2020 in connection with the unaudited annual results for the year ended 31 December 2019 (the “**Unaudited Annual Results Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Unaudited Annual Results Announcement.

AUDITOR’S AGREEMENT ON THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The Board is pleased to announce that the Group’s auditor, Deloitte Touche Tohmatsu, has completed its audit of the annual results of the Group for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants, including the financial figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes as set out thereto. The audited annual results for the year ended 31 December 2019 were reviewed by the Audit Committee and were approved by the Board both on 27 April 2020, details of which are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	1,836,496	1,744,998
Cost of sales and services		<u>(1,529,974)</u>	<u>(1,427,140)</u>
Gross profit		306,522	317,858
Other income and expenses and other gains and losses		25,436	117,456
Selling and distribution expenses		(29,295)	(26,170)
Research and development expenses		(24,256)	(10,618)
Administrative expenses		(88,776)	(98,485)
Allowance of impairment losses on financial assets and contract assets		(10,928)	(3,816)
Share of profit of associates		34,541	27,963
Finance costs	4	(4,177)	(5,900)
Change in fair value of convertible ordinary shares		–	133,541
Listing expenses		–	<u>(3,319)</u>
Profit before tax		209,067	448,510
Income tax expense	5	(26,453)	<u>(55,691)</u>
Profit for the year		<u>182,614</u>	<u>392,819</u>
Earnings per share			
– Basic (RMB)	8	0.18	0.44
– Diluted (RMB)	8	0.18	0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		2019	2018
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		377,753	88,330
Investment properties		11,714	12,348
Intangible assets		774,068	543,824
Receivables under service concession arrangement	9	356,429	367,029
Investments in associates		82,887	69,537
Equity instrument at fair value through other comprehensive income		–	3,540
Amounts due from related parties		138,496	143,287
Deferred tax assets		33,061	25,121
		<hr/>	<hr/>
Total non-current assets		1,774,408	1,253,016
		<hr/> <hr/>	<hr/> <hr/>
Current assets			
Receivables under service concession arrangement	9	20,201	12,526
Debt instrument at fair value through other comprehensive income		197,933	70,205
Inventories		28,915	37,841
Contract assets	10	346,602	204,289
Equity instruments at fair value through profit or loss		45,693	–
Trade receivables	11	590,931	779,070
Prepayments, deposits and other receivables		185,093	123,190
Amounts due from related parties		223,589	181,520
Pledged bank deposits		133,181	88,113
Bank balances and cash		450,506	780,480
		<hr/>	<hr/>
Total current assets		2,222,644	2,277,234
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current liabilities			
Trade and notes payables	<i>12</i>	1,021,730	885,535
Other payables, deposits received and accrued expenses		434,657	233,683
Contract liabilities	<i>9</i>	102,390	115,651
Lease liabilities		8,892	–
Income tax payable		25,495	24,805
Borrowings		107,468	53,483
Amounts due to related parties		11,209	23,901
		<hr/>	<hr/>
Total current liabilities		1,711,841	1,337,058
		<hr/>	<hr/>
Net current assets		510,803	940,176
		<hr/>	<hr/>
Total assets less current liabilities		2,285,211	2,193,192
		<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities			
Deferred tax liabilities		10,873	8,018
Borrowings		–	12,000
Lease liabilities		180	–
		<hr/>	<hr/>
Total non-current liabilities		11,053	20,018
		<hr/> <hr/>	<hr/> <hr/>
Net assets		2,274,158	2,173,174
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		67	67
Reserves		2,274,965	2,174,058
		<hr/>	<hr/>
Equity attributable to owners of the Company		2,275,032	2,174,125
Non-controlling interests		(874)	(951)
		<hr/>	<hr/>
		2,274,158	2,173,174
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

China Boqi Environmental (Holding) Co., Ltd. (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2015 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 March 2018. The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries (collectively referred to as the “Group”) are disclosed in the section headed “Corporate Information” to the annual report.

The Company is an investment holding company. The principal activities of the Group are providing independent flue gas treatment service and environmental protection solution services by various business models, including environmental protection facility engineering, operation and maintenance and concession operation.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

3. REVENUE AND SEGMENT INFORMATION

For the purposes of resources allocation and assessment of segment performance, the executive Directors, being the chief operating decision maker (“CODM”), regularly review types of goods or services delivered or provided by focusing on different business models. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments under IFRS 8 are as follows:

EPC	project design, procurement of equipment and materials, project construction and equipment installment and testing services
O&M	operation service and regular maintenance service for desulfurisation and denitrification facilities and dust removal facilities
BOT & TOT	construction of infrastructure or acquisition of existing infrastructure from grantor, operation and maintenance of flue gas treatment project for a pre-defined period according to the concession contract and transferring the ownership of the infrastructure to the grantor at the end of the period
Others	sales of by-products and others

The following is an analysis of the Group’s revenue and results by operating and reportable segment:

	Segment revenue		Segment profit	
	2019 <i>RMB’000</i>	2018 <i>RMB’000</i>	2019 <i>RMB’000</i>	2018 <i>RMB’000</i>
EPC	730,628	722,117	29,344	56,523
O&M	380,317	415,113	81,659	124,556
Concession operation	700,489	580,051	172,257	114,042
Others	25,062	27,717	23,262	22,737
Total	<u>1,836,496</u>	<u>1,744,998</u>	<u>306,522</u>	<u>317,858</u>
Unallocated other income and expenses and other gains and losses			25,436	117,456
Unallocated selling and distribution expenses			(29,295)	(26,170)
Unallocated administrative expenses			(88,776)	(98,485)
Unallocated research and development expenses			(24,256)	(10,618)
Unallocated allowance of impairment losses on financial assets and contract assets			(10,928)	(3,816)
Unallocated share of profit of associates			34,541	27,963
Unallocated finance costs			(4,177)	(5,900)
Unallocated change in fair value of convertible ordinary shares			–	133,541
Unallocated listing expenses			–	(3,319)
Profit before tax			<u>209,067</u>	<u>448,510</u>

4. FINANCE COSTS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Interest on borrowings	3,131	5,900
Interest on lease liabilities	1,046	–
Total	<u>4,177</u>	<u>5,900</u>

5. INCOME TAX EXPENSE

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current income tax – PRC	31,538	48,239
Deferred income tax	(5,085)	7,452
Total	<u>26,453</u>	<u>55,691</u>

6. PROFIT FOR THE YEAR

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries and other benefits	204,297	155,927
Contributions to retirement benefits scheme	20,958	18,758
Share-based payment expenses	3,317	8,442
Total staff costs	<u>228,572</u>	<u>183,127</u>
Gross rental income from investment properties	(2,989)	(2,160)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year (included in other income and other gains and losses)	634	634
	<u>(2,355)</u>	<u>(1,526)</u>
Cost of inventories recognised as expenses (included in cost of sales and services)	496,908	541,325
Minimum lease payments in respect of operating leases	–	10,503
Depreciation of property, plant and equipment	23,314	11,153
Depreciation of investment properties	634	634
Amortisation of intangible assets (included in cost of sales and services)	54,358	36,851
Research and development expenses	24,256	10,618
Auditor's remuneration	2,600	2,340

7. DIVIDENDS

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year: 2018 Final – HK9 cents (2018: no dividend) per share	<u><u>79,766</u></u>	<u><u>–</u></u>

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Earnings:		
Earnings for the purpose of calculating earnings per share (profit for the year attributable to owners of the Company)– basic	182,537	394,359
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible ordinary shares	<u>–</u>	<u>(133,541)</u>
Earnings for the purpose of calculating earnings per share (profit for the year attributable to owners of the Company)– diluted	<u><u>182,537</u></u>	<u><u>260,818</u></u>

Number of shares:

	2019 Number of shares	2018 Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,008,248,547	899,546,295
Effects of dilutive potential ordinary shares:		
Convertible ordinary shares	<u>–</u>	<u>64,750,277</u>
Pre-IPO Share Award Scheme	<u>3,881,941</u>	<u>3,613,585</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>1,012,130,488</u></u>	<u><u>967,910,157</u></u>

9. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

In June 2017, the Group entered into a service concession arrangement with a state owned power plant. Through the arrangement, the Group is involved as an operator (i) paying a specific amount for purchasing the relevant infrastructure for operation under the service concession arrangements; (ii) using the existing infrastructure and upgrading the acquired facilities for provision of services under the service concession arrangements; and (iii) operating and maintaining the infrastructure for the period of 15 years (the “Service Concession Period”), and the Group will be paid for its services over the Service Concession Period at prices stipulated through a pricing mechanism. The Group is entitled to use all of the related infrastructure, however, the power plant, as the grantor, will control and regulate the scope of service that the Group must provide with the infrastructure. The construction or upgrade of this service concession arrangement have been fully completed in December 2018.

The service fee is charged by reference to on-grid tariff subsidies determined on a per kilowatt hour basis as set out in the service concession agreement. However, the Group is entitled to a minimum guaranteed service charge, which is calculated based on the minimum guaranteed on-grid tariff per year and the price agreed in the service concession agreement. Accordingly, the receivables under service concession arrangement was recognised based on the consideration paid by the Group upon the completion of the construction or upgrade of the infrastructure.

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has rights to considerations from customers for the provision of construction, operation and maintenance services. Contract assets arise when the Group has rights to considerations for completion of such services and not yet billed under the relevant contracts, and their rights are conditioned on factors other than passage of time. Any amount previously recognised as a contract assets are transferred to trade receivables when the rights become unconditional. Remaining rights and performance obligations in a particular contract are accounted for and presented on a net basis, as either a contract asset or a contract liability.

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Construction contracts analysed for reporting purposes as follows:		
Contract assets	346,602	204,289
Contract liabilities	<u>(102,390)</u>	<u>(115,651)</u>

11. TRADE RECEIVABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade receivables arising from contracts with customers	610,876	802,046
Less: Allowance for credit losses	<u>(19,945)</u>	<u>(22,976)</u>
	<u>590,931</u>	<u>779,070</u>

The Group generally grants credit period between 30 to 90 days which are agreed with each of its trade customers. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer’s financial condition and payment history with the Group.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB632,840,000.

Aging analysis of trade receivables net of allowance for credit losses based on date of revenue recognition is as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
1 – 90 days	384,520	448,239
91 – 180 days	21,209	75,851
181 – 365 days	32,523	121,812
1 – 2 years	110,461	81,775
2 – 3 years	22,568	18,454
Over 3 years	19,650	32,939
	590,931	779,070

12. TRADE AND NOTES PAYABLES

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Trade payables	814,946	695,360
Notes payables	206,784	190,175
Total	1,021,730	885,535

The credit period on purchases of goods and services is generally 30 to 90 days. The table below sets forth, as at the end of reporting period indicated, the aging analysis of the trade and notes payables based on the invoice or completion report date:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Less than 90 days	360,423	349,822
90 – 180 days	283,001	194,485
180 days – 1 year	111,083	92,898
1 – 2 years	133,897	87,244
2 – 3 years	40,411	58,310
Over 3 years	92,915	102,776
Total	1,021,730	885,535

13. SUBSEQUENT EVENTS

On 15 January 2020, the Group has entered into sale and leaseback transactions with a financial institution in order to obtain 5-year financing of RMB350 million by disposing of certain desulfurisation and denitrification equipment of the Group. The transaction has not been completed as of the date of approval of these financial statements.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Annual Results Announcement was neither audited nor agreed with Deloitte Touche Tohmatsu as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Item for the year ended 31 December 2019	Disclosure in this further announcement RMB'000	Disclosure in the Unaudited Annual Results Announcement RMB'000	Difference RMB'000	Notes
Consolidated Statement of Profit or Loss and Other Comprehensive Income				
Share of profit of an associate	34,541	38,727	(4,186)	1
Other income and expenses and other gains and losses	25,436	45,346	(19,910)	1
Revenue	1,836,496	1,812,400	24,096	1
Administrative expenses	(88,776)	(113,032)	24,256	2
Research and development expenses	(24,256)	–	(24,256)	2
Consolidated Statement of Financial Position				
Property, plant and equipment	377,753	361,561	16,192	1
Intangible assets	774,068	790,260	(16,192)	1
Deferred tax assets	33,061	30,206	2,855	3
Trade and notes payables	(1,021,730)	(971,820)	(49,910)	1
Borrowings	(107,468)	(157,378)	49,910	1
Deferred tax liabilities	(10,873)	(8,018)	(2,855)	4

Notes:

1. Reclassification of research and development costs and capitalisation, dividend received from investments, interest income arose from service concession arrangement and endorsed and unmatured notes according to the related standards.
2. Reclassification of research and development expenses from administrative expenses.
3. Deferred income tax adjustments corresponding to credit losses.
4. Deferred income tax adjustments corresponding to the withholding income tax according to the determined dividend amount.

Save as disclosed in this further announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Annual Results Announcement remain unchanged.

FINAL DIVIDEND

The Board has recommended the payment of HK\$0.0315 per ordinary share as final dividend for the year ended 31 December 2019 (2018: HK\$0.09) to holders of ordinary shares whose names appear on the register of members of the Company on 22 June 2020. No interim dividend was declared for the financial year of 2019. Subject to the shareholders' approval at the AGM (as defined below), the proposed final dividend will be paid to the shareholders of the Company on or around 9 July 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company is scheduled to be held on 12 June 2020 (the "AGM"). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020, both dates inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Monday, 8 June 2020. The record date for such purpose is Friday, 12 June 2020.

In order to determine the entitlement to the proposed final dividend for the year ended 31 December 2019, the transfer books and register of members of the Company will be closed from Thursday, 18 June 2020 to Monday, 22 June 2020, both days inclusive. During the above period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 17 June 2020.

AUDIT COMMITTEE AND REVIEW OF AUDITED ANNUAL RESULTS

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three members, namely Dr. Xie Guozhong, Mr. Liu Genyu and Mr. Tony Tuo Zheng. Dr. Xie Guozhong is the chairman of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2019. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and the internal control with senior management members of the Company. Based on the review and discussions with the management team, the Audit Committee was satisfied that the Group's consolidated financial statements were prepared in accordance with accounting standards and fairly presented the Group's financial position and results for the financial year of 2019.

REVIEW OF ANNUAL RESULTS

Scope of work of Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary results announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu ("DTT"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by DTT in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by DTT on the preliminary announcement.

Publication of Annual Results and Annual Report

This audited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaboqi.com) and the 2019 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
China Boqi Environmental (Holding) Co., Ltd.
Cheng Liquan Richard
Chairman

Hong Kong, 27 April 2020

As at the date of this announcement, the 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.