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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)

DISCLOSEABLE TRANSACTION
ENTERING INTO ENERGY MANAGEMENT CONTRACTING (EMC)
AGREEMENT OF DRY QUENCHING WASTE HEAT
POWER GENERATION PROJECT

THE EMC AGREEMENT

On 4 September 2020, Beijing Boqi (a wholly-owned subsidiary of the Company) entered into the EMC Agreement with Tianjin Iron for the implementation of the project of constructing dry quenching coke, dry quenching coke power generation and a 360m² sintered waste heat power generation system with a processing capacity of 150t/h using the coke production line in the plant of Tianjin Iron. By undertaking the waste heat power generation project, Beijing Boqi will provide energy saving and environmental protection services to Tianjin Iron accordingly. The total investment amount for the project is approximately RMB278 million.

LISTING RULES IMPLICATIONS

As certain percentage ratios applicable to the transaction under the EMC Agreement exceeds 5% but are less than 25%, the transaction under the EMC Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the relevant reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 4 September 2020, Beijing Boqi (a wholly-owned subsidiary of the Company) entered into the EMC Agreement with Tianjin Iron for the implementation of the EMC Project of constructing dry quenching coke, dry quenching coke power generation and a 360m² sintered waste heat power generation system with a processing capacity of 150t/h using the coke production line in the plant of Tianjin Iron. By undertaking the EMC Project, Beijing Boqi will provide energy saving and environmental protection services to Tianjin Iron.

The total investment amount for the EMC Project is approximately RMB278 million. Upon completion of the construction, it is expected that approximately 177,570,000 kWh/year of electricity will be generated by the EMC Project.

PRINCIPAL TERMS OF THE EMC AGREEMENT

Principal terms of the EMC Agreement are set out below:

Date:	4 September 2020
Parties:	(i) Tianjin Iron, as the Employer; and (ii) Beijing Boqi, as the Contractor.
Subject matter:	the Contractor shall provide energy saving and environmental protection service to the Employer through the investment and construction of the EMC Project, and subsequently share the energy benefit generated from the EMC Project with the Employer;
Investment amount:	approximately RMB278 million Basis for determining the consideration: the Directors (including independent non-executive Directors) confirms that, the investment amount has been determined by Beijing Boqi and Tianjin Iron on the basis of arm's length negotiations on commercial terms. The investment amount covers all costs required by the Contractor to fulfill its obligations and risks during the construction period under the EMC Agreement, including exclusive technology royalties, technology transfer assessments, design, equipment, construction, installation, commissioning, testing, examination, transportation (including bulk transport measures), insurance, technical data, etc., as well as all taxes and fees related to the EMC Agreement and the cost related to policy document provisions, all safety precautions and civilization. Raising and payment: such investment amount will be raised by the Contractor and will be arranged for payment by the Contractor during the construction of the EMC Project according to the actual situation of the project.
Construction period for the EMC Project:	within 14 months from delivery of the construction site after the EMC Agreement is signed
Energy benefit sharing period:	120 months from the completion of the acceptance of the EMC Project and grid connection

Contractor's major obligations:	<ul style="list-style-type: none"> (a) raising project investment funds; (b) construction of the EMC Project, which includes design, sourcing, construction, installation and testing, etc.; (c) provision of energy saving and environmental protection service; and (d) operation and maintenance of the EMC Project.
Employer's major obligations:	<ul style="list-style-type: none"> (a) provision of construction site free of charge; (b) supply of at least 4,480,000 tonnes of sinter ore and at least 1,150,000 tonnes of coke per year for the generation of electricity during the energy benefit sharing period; (c) recycling of coke powder from the generation of electricity; (d) purchasing of all electricity generated by the EMC Project at an agreed unit price; (e) payment of electricity fees to Beijing Boqi under the energy benefit sharing arrangement during the energy benefit sharing period; and (f) provision of consumable material used for the maintenance of the EMC Project.
Energy benefit sharing arrangement:	<p>Upon completion of the EMC Project, it is expected that approximately 177,570,000 kWh/year of electricity will be generated. The completion of the 14-month construction will be followed by a 10-year energy benefit sharing arrangement with Tianjin Iron. During the energy benefit sharing period, Tianjin Iron shall purchase all the electricity generated by the EMC Project at an agreed unit price, and the benefits generated from the EMC Project will be shared between Tianjin Iron and Beijing Boqi on a 35%:65% basis.</p>
Ownership of properties under the EMC Project:	<p>Until the expiration of the EMC Agreement and payment in full by the Contractor under the EMC Agreement, the ownership of all properties under the project, including equipment, facilities, apparatus and construction and installation property of the project shall be owned by the Contractor. The ownership of such property shall be transferred to the Employer at nil consideration upon the completion of the EMC Agreement.</p>

REASONS FOR AND BENEFITS OF ENTERING INTO THE EMC AGREEMENT

The Board believes that the EMC Project is in line with the Company's future development strategies and operational structure needs, and as the EMC Project can enhance the Company's business performance in the field of dry quenching coke furnace residual heat and power generation, it is conducive to accelerating the strategic layout of the Company's business and gradually transforming the Company into a platform of provision of one-stop environmental housekeeping services to large energy and industrial customers. The EMC Project helps to consolidate the Company's leading position as an integrated environmental protection service provider, thereby further enhancing the Company's core competency and overall strength.

In view of the above reasons and benefits, the Directors consider that the EMC Agreement (which was negotiated at arm's length basis) is entered in normal commercial terms and is fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

INFORMATION OF THE PARTIES

Information of the Company

The Company is a leading provider in the eco-environmental governance industry listed on the Main Board of the Stock Exchange. The Company is committed to providing comprehensive environmental governance solutions and becoming the leading service provider within the environmental protection industry.

Beijing Boqi, a limited liability company established in the PRC, is a wholly-owned subsidiary of the Company. It provides one-stop environmental protection housekeeping services, including flue gas treatment, water treatment, hazardous solid waste treatment and disposal, and environmental protection and energy conservation, to large energy and industrial clients in the PRC and overseas.

Information of the Employer

Tianjin Iron is a limited liability company established in the PRC primarily engaged in iron, steel, coke and sinter ore production. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council (天津市國有資產監督管理委員會). To the best of the knowledge, information and belief of the Directors, Tianjin Iron and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As certain percentage ratios applicable to the transaction under the EMC Agreement exceeds 5% but are less than 25%, the transaction under the EMC Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the relevant reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following terms have the following meanings unless the context requires otherwise:

“Beijing Boqi” or “Contractor”	Beijing Boqi Electric Power SCI-TECH Co., Ltd.* (北京博奇電力科技有限公司), an indirectly wholly-owned subsidiary of the Company
“Board”	the board of directors 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 Main Board of the Stock Exchange
“Director(s)”	the directors of the Company
“EMC”	energy management contracting (合同能源管理)
“EMC Agreement”	the energy management contracting (EMC) agreement of dry quenching waste heat power generation project entered into between Tianjin Iron and Beijing Boqi for the implementation of the EMC Project dated 4 September 2020
“EMC Project”	the energy management contracting of dry quenching project of constructing dry quenching coke, dry quenching coke power generation and a 360m ² sintered waste heat power generation system with a processing capacity of 150t/h using the coke production line in the plant of Tianjin Iron
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	the ordinary shares at par value of US\$0.00001 each in the issued share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tianjin Iron” or “Employer”	Tianjin Iron Co. Ltd.* (天津鐵廠有限公司), a limited liability company established in the PRC primarily engaged in iron, steel, coke and sinter ore production
“t/h”	tonnes per hour
“m ² ”	square meter
“%”	per cent

* *The English translation of the Chinese names set out in this announcement is for identification purpose only and should not be regarded as an official English translation of such names.*

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

Beijing, 4 September 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. Zheng Tony Tuo, Mr. Zhu Weihang and Mr. Chen Xue; and the independent non-executive Directors are Mr. Liu Genyu, Dr. Xie Guozhong and Mr. Lu Zhifang.