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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  
ACQUISITION OF THE ENTIRE EQUITY INTEREST  
IN THE TARGET COMPANY**

The Board hereby announces that on 30 November 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Sellers entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Sellers agreed to sell, the entire issued share capital of the Target Company at a total consideration of RMB230 million.

**LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

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Upon completion of the Share Transfer Agreement, the entire issued share capital of the Target Company shall be held by the Purchaser and therefore the Target Company shall become an indirect wholly-owned subsidiary of the Company.

## **THE SHARE TRANSFER AGREEMENT**

The following sets forth the major terms of the Share Transfer Agreement:

### **Date**

30 November 2021

### **Parties**

- (1) The Purchaser;
- (2) Seller A; and
- (3) Seller B.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Sellers and its/his ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

### **Subject matter**

Pursuant to the Share Transfer Agreement, the Sellers shall sell, and the Purchaser shall acquire, the Sale Shares.

Pursuant to the Share Transfer Agreement, the share transfer shall be completed in two tranches: (i) the transfer of the first 67% of the equity interests in the Target Company shall be completed by 20 December 2021 (the “**First Tranche of Completion**”); and (ii) the transfer of the remaining 33% of the equity interests in the Target Company shall be completed within 30 days of the issuance of the audited accountants’ report of the Target Company for the financial year ended 31 December 2023 (the “**Final Tranche of Completion**”).

Upon the Final Tranche Completion, the entire issued share capital of the Target Company shall be held by the Purchaser and therefore the Target Company shall become an indirect wholly-owned subsidiary of the Company.

### **Consideration and payment terms**

Upon satisfaction of the conditions precedent (as set out in the paragraph headed “Conditions Precedent” below), the Consideration shall be settled in the follow manner:

- (1) 15% of the Consideration (i.e. RMB34.5 million) shall be paid within 30 days after the signing of the Share Transfer Agreement and the satisfaction or (where applicable) the waiver of the conditions precedents as set out in the paragraph headed “Conditions Precedent” in this announcement;
- (2) 20% of the Consideration (i.e. RMB46 million) shall be payable upon the change of business registration of the First Tranche of Completion;

- (3) 15% of the Consideration (i.e. RMB34.5 million) shall be payable within 20 days upon the Target Company obtaining (i) the certificate of fire acceptance, filing for completion of construction and property rights certificate for the office building and its ancillary facilities; and (ii) the certificate of fire acceptance, environmental protection and safety evaluation report and acceptance certificate for the stabilization and solidification workshop, flexible and rigid landfills, sewage treatment facilities and two temporary storages;
- (4) where the Target Profit and Net Cash Flow Guarantee is met (as set out in the paragraph headed “Target Profit and Net Cash Flow Guarantee” below), 17% of the Consideration (i.e. RMB39.1 million) shall be payable within 30 days of the issuance of the audited accountants’ report of the Target Company for the financial year ended 31 December 2022; and
- (5) the remaining 33% of the Consideration (i.e. RMB75.9 million) to be calculated together with the performance rewards and/or penalties (as set out in the paragraph headed “Target Profit and Net Cash Flow Guarantee” below) and shall be paid within 30 days after the issuance of the audited accountants’ report of the Target Company for the financial year ended 31 December 2023 and upon completion of changes of business, tax and bank registration, etc. in relation to the transfer of the remaining equity interests.

### **Basis of the Consideration**

The Consideration was determined based on arm’s length negotiations between the Sellers and the Purchaser with reference to, among other things, the estimated value given by an independent third-party valuer based on the earning value method.

### **Conditions Precedent**

Unless otherwise waived by the Purchaser in writing, the transfer payment of the First Tranche of Completion is conditional upon the following Conditions Precedent being satisfied:

- (1) the Sellers and the Purchaser having obtained its respective internal authorizations for the Acquisition;
- (2) the Target Company having authorized and approved the Acquisition, including but not limited to the adoption of the relevant resolutions by the Target Company in accordance with its articles of association;
- (3) the Purchaser having completed its business, financial and legal due diligence and assets valuation of the Target Company, and all defects identified from the due diligence and assets valuation having been confirmed by the Sellers in form of a list, and resolved or been undertaken by the Seller to resolve to the Purchaser’s reasonable satisfaction;
- (4) current senior management and key personnel of the Target Company having signed the non-disclosure agreements and non-compete covenants;
- (5) the Sellers and their respective beneficial owners having undertaken that the representations and warranties under the Share Transfer Agreement are true, accurate and complete;
- (6) the Sellers and their respective beneficial owners having undertaken the any information provided to the Purchaser’s accountants, valuer and legal service providers is true, accurate, complete, without any material omissions and concealments and contains no misleading statements;

- (7) as of the date of the Share Transfer Agreement, the relevant assets of the comprehensive solid waste resources utilization and disposal project of the Target Company shall continue to be in operation and expected revenue generating, and the pollutant discharge indicators shall meet the standards of the environmental protection authorities at all level;
- (8) there shall be no material changes to the industry and policies in which the Target Company operates and no material changes in its property structure and status, operation conditions, financial position, management and human resources;
- (9) all relevant qualifications, licenses and/or permits required for its operations and for the comprehensive solid waste resources utilization and disposal project of the Target Company continue to be valid, and are not under any circumstance of being revoked, cancelled or unqualified for certification;
- (10) the Target Company shall not experienced any environment pollution incidents and is not exposed to any material risk of environment pollution incidents, and there having no event occurred that could have material adverse effects on the company;
- (11) as of the date of the Share Transfer Agreement, the Target Company has discharged its tax liabilities and any surcharge for overdue tax payments, and for any outstanding payments, the Sellers shall undertake to settle it within a predetermined time and hand over the relevant tax certificates to the Purchaser for confirmation;
- (12) the Acquisition includes but is not limited to all the projects filed for approval by the Target Company since its incorporation; and
- (13) the Acquisition having satisfied the relevant laws and regulations.

### **Target Profit and Net Cash Flow Guarantee**

Pursuant to the Share Transfer Agreement, the Sellers irrevocably guarantee to the Purchaser that the net profit after tax and net cash flow of the Target Company for each of the financial years ending 31 December 2021, 2022 and 2023 shall not be less than RMB45 million, respectively (the “**Target Profit and Net Cash Flow Guarantee**”).

If the Target Company shall fail to meet the Target Profit and Net Cash Flow Guarantee, the shortfall shall be made up by the Sellers directly or by deducting the difference in the next tranche of the Consideration payment. Where the shortfall exceeds the next tranche of the Consideration payment, the Seller shall make up the shortfall by cash (wire transfer) within 30 days of the issuance of the accountants’ report for that relevant financial year.

Pursuant to the Share Transfer Agreement, it was also agreed by the parties that where the actual net profit after tax shall exceed the Target Profit and Net Cash Flow Guarantee for each of the financial years ending 31 December 2021, 2022 and 2023, the excess shall be shared proportionally between the Purchaser and the Sellers on a 6:4 basis.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 7 August 2018 and is owned by Seller A as to 82% and Seller B as to 18% as at the date of this announcement and immediately before the completion of the Acquisition. The Target Company is principally engaged in solid hazardous waste management business, particularly, in the collection, stabilization and disposal of solid hazardous and dangerous wastes.

Set out below is the net profit (both before and after tax) of the Target Company for the years ended 31 December 2019 and 31 December 2020 according to the audited accounts of the Target Company:

	For the year ended 31 December 2019 <i>RMB million</i>	<b>For the year ended 31 December 2020 <i>RMB million</i></b>
Net profit before tax	-5.78	<b>50.98</b>
Net profit after tax	-5.78	<b>50.98</b>

The book value of the net assets of the Target Company as at 30 June 2021 was RMB33.80 million.

## REASON FOR AND BENEFITS OF THE ACQUISITION

The Company has been actively considering and exploring various opportunities for expansion and solidify our market position according to the market conditions with an aim to enhance the Company's value. The Acquisition is not only in line with the requirements of strategic transformation of environmentally-friendly enterprises driven by policies of peak carbon emissions and carbon neutrality, but also conducive for the Company to further expand its hazardous and solid waste disposal business segment, increasing the operating results and market value of the Company.

Having considered the above reasons, the Directors consider the Acquisition to be in line with the overall business direction of the Group. The Group shall continue to look for business opportunities and collaborations to further strengthen our existing businesses and broaden our business networks in the environmental protection industry.

The Directors (including the independent non-executive Directors) consider that the terms of the Share Transfer Agreement (including the Consideration) are fair and reasonable, and the transaction contemplated thereunder is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

## INFORMATION OF THE PURCHASER

The Purchaser is incorporated in the PRC with limited liabilities and is an indirectly wholly-owned subsidiary of the Company. The Company is principally engaged in environmental protection engineering business.

## INFORMATION OF THE SELLERS

Seller A is incorporated in the PRC with limited liabilities and is principally engaged in the investment business in the PRC. Seller A is owned as to 99% by Mr. Yang Huijun (楊惠軍) and 1% by Sanya Jingze Investment Co., Ltd. (三亞景澤投資有限公司) respectively.

Seller B is a PRC citizen, residing in Suzhou, Jiangsu Province, PRC.

## LISTING RULES IMPLICATIONS

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## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Sellers
“Board”	the board of Directors
“Company”	China Boqi Environmental (Holding) Co., Ltd (中國博奇環保(控股)有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Consideration”	the consideration payable by the Purchaser to the Sellers for the Acquisition under the Share Transfer Agreement
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchaser”	Beijing Boqi Electronic Power SCITECH Co, Ltd (北京博奇電力科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target Company

“Seller A”	Hainan Jinaier Investment Partnership (Limited Partnership) (海南吉乃爾投資合夥企業(有限合夥)), a limited liability company established under the laws of the PRC and holding 82% of the issued share capital of the Target Company immediately before the completion of the Acquisition
“Seller B”	Liu Ang (劉昂), a PRC citizen residing in Suzhou, Jiangsu Province, PRC and holding 18% of the issued share capital of the Target Company immediately before the completion of the Acquisition
“Sellers”	collectively, Seller A and Seller B
“Share Transfer Agreement”	the share transfer agreement dated 30 November 2021 and entered into between the Sellers and the Purchaser in respect of the Acquisition
“Shareholder(s)”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Haixi Jingze Environmental Protection Technology Co., Ltd. (海西景澤環保科技有限公司), a company incorporated under the laws of the PRC

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

Beijing, the PRC, 30 November 2021

*As at the date of this announcement, the executive directors are Mr. Zeng Zhijun and Mr. Cheng Liquan Richard; 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.*