

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTION
DEFERRAL OF THE COMPLETION
OF THE CHONGQING CHUANWEI EPC CONTRACT**

DEFERRAL OF THE COMPLETION OF THE CHONGQING CHUANWEI EPC CONTRACT

As a result of the outbreak of COVID-19, the construction and installation of the Chongqing Chuanwei EPC Project was deferred, which in turn resulted in deferral of the Standard Compliance. Based on the confirmation letter dated 20 April 2022 signed by Beijing Boqi and Chongqing Chuanwei that No. 9 denitrification, desulfurization and dust removal system, being the last system in the Chongqing Chuanwei EPC Project, passed the 168-hour trial operation, the Chongqing Chuanwei EPC Project has completed the Standard Compliance. Notwithstanding that Beijing Boqi intends to submit the application for the final accounting and auditing of the Chongqing Chuanwei EPC Project in the year of 2022, the date of the Completion is currently unavailable since it is subject to the approval by Chongqing Chuanwei.

PROPOSED ANNUAL CAP

The Directors expect that the transaction amount for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2022 as a result of the Deferred Standard Compliance will not exceed the annual cap of RMB10.1 million. The above cap was determined with reference to (i) the historical transaction amounts of the Chongqing Chuanwei EPC Contract as stated below; (ii) the technical service fee, construction and installation expenses, as well as other preliminary cost for the Deferred Standard Compliance and in accordance with the latest schedule of the Chongqing Chuanwei EPC Project, which amounted to approximately RMB9.2 million; and (iii) a buffer of 10% on the estimated transaction amount as a result of the Deferred Standard Compliance for the year ending 31 December 2022.

The audited historical transaction amounts under the Chongqing Chuanwei EPC Contract for the three years ended 31 December 2021 were approximately RMB74.0 million, RMB39.7 million and RMB44.9 million, respectively.

To the best of our Directors' knowledge, information and believe, having made all reasonable enquiries, the relevant amount of the Chongqing Chuanwei EPC Contract to be received by the Group upon the Completion is currently not available since the final and total contract value contemplated under the Chongqing Chuanwei EPC contract will be subject to final accounting and auditing by Chongqing Chuanwei and adjusted with reference to (i) ad hoc adjustments in scope of work; (ii) changes in equipment models; (iii) ad hoc requests of Chongqing Chuanwei; and (iv) adjustment in technical service fee, construction and installation expenses and the costs of equipment and materials.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sinopec Overseas holds 10.97% equity interest in the Company. Chongqing Chuanwei and Sinopec Overseas are the subsidiaries of the China Petrochemical Corporation and Sinopec Northwest is a branch office of a subsidiary of the China Petrochemical Corporation. Therefore, Chongqing Chuanwei and Sinopec Northwest are connected persons of the Company. As such, the transaction contemplated under the Chongqing Chuanwei EPC Contract and the transactions under the Yakela Water Treatment Contract constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios in respect of the highest annual cap for the transactions contemplated under the Yakela Water Treatment Contract are less than 5% and the transaction amount is less than HK\$3 million, the transactions contemplated under the Yakela Water Treatment Contract were fully exempt from all connected transaction requirements under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Yakela Water Treatment Contract and the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance are entered into by Beijing Boqi with the Sinopec Group and within a 12-month period, they shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

The relevant percentage ratios in respect of the annual cap for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2022 as a result of the Deferred Standard Compliance are, when aggregated with the transaction under the Yakela Water Treatment Contract, less than 5% and the transaction amount for the year ending 31 December 2022 under the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance and under the Yakela Water Treatment Contract is expected to be more than HK\$3 million. Therefore, the continuing connected transactions contemplated under the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance will be subject to reporting, announcement and annual review requirements but will be exempt from independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

As stated above, the relevant amount contemplated under the Chongqing Chuanwei EPC Contract upon the Completion is currently not available since the final and total contract value contemplated under the Chongqing Chuanwei EPC contract will be subject to final accounting and auditing by Chongqing Chuanwei and the Company will re-comply with the announcement or shareholders' approval requirements under the Listing Rules as soon as practicable.

BACKGROUND

Reference is made to the announcement of the Company dated 14 September 2018 and the circular (the “**Circular**”) of the Company dated 31 October 2018 in respect of, among others, the Chongqing Chuanwei EPC Contract and the transactions contemplated thereunder and the announcement of the Company dated 23 August 2021 in respect of the extension of the completion of the Chongqing Chuanwei EPC Project to November 2021.

As a result of the outbreak of COVID-19, the construction and installation of the Chongqing Chuanwei EPC Project was deferred, which in turn resulted in deferral of the Standard Compliance. Based on the confirmation letter dated 20 April 2022 signed by Beijing Boqi and Chongqing Chuanwei that No. 9 denitrification, desulfurization and dust removal system, being the last system in the Chongqing Chuanwei EPC Project, passed the 168-hour trial operation, the Chongqing Chuanwei EPC Project has completed the Standard Compliance. Notwithstanding that Beijing Boqi intends to submit the application for the final accounting and auditing of the Chongqing Chuanwei EPC Project in the year of 2022, the date of the Completion is currently unavailable since it is subject to the approval by Chongqing Chuanwei.

MATERIAL TERMS OF THE CHONGQING CHUANWEI EPC CONTRACT FOLLOWING THE DEFERRED STANDARD COMPLIANCE

Save that the deferral of the Standard Compliance, as well as the consequential deferral of the final accounting and auditing and the Completion of the Chongqing Chuanwei EPC Project, all the material terms of the Chongqing Chuanwei EPC Contract remain unchanged.

PROPOSED ANNUAL CAP

The Directors expect that the transaction amount for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2022 as a result of the Deferred Standard Compliance will not exceed the annual cap of RMB10.1 million. The above cap was determined with reference to (i) the historical transaction amounts of the Chongqing Chuanwei EPC Contract as stated below; (ii) the technical service fee, construction and installation expenses, as well as other preliminary cost for the Deferred Standard Compliance and in accordance with the latest schedule of the Chongqing Chuanwei EPC Project, which amounted to approximately RMB9.2 million; and (iii) a buffer of 10% on the estimated transaction amount as a result of the Deferred Standard Compliance for the year ending 31 December 2022.

The audited historical transaction amounts under the Chongqing Chuanwei EPC Contract for the three years ended 31 December 2021 were approximately RMB74.0 million, RMB39.7 million and RMB44.9 million, respectively.

To the best of our Directors’ knowledge, information and believe, having made all reasonable enquiries, the relevant amount of the Chongqing Chuanwei EPC Contract to be received by the Group upon the Completion is currently not available since the final and total contract value contemplated under the Chongqing Chuanwei EPC contract will be subject to final accounting and auditing by Chongqing Chuanwei and adjusted with reference to (i) ad hoc adjustments in scope of work; (ii) changes in equipment models; (iii) ad hoc requests of Chongqing Chuanwei; and (iv) adjustment in technical service fee, construction and installation expenses and the costs of equipment and materials.

THE PREVIOUS TRANSACTION

In October 2021, Beijing Boqi and Sinopec Northwest entered into the Yakela Water Treatment Contract in relation to the Yakela Water Treatment Project, including sewage treatment, operation and maintenance, repair and station management etc, for an estimated total consideration of RMB4.9 million for a period of three years commencing from October 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Sinopec Overseas holds 10.97% equity interest in the Company. Chongqing Chuanwei and Sinopec Overseas are the subsidiaries of the China Petrochemical Corporation and Sinopec Northwest is a branch office of a subsidiary of the China Petrochemical Corporation. Therefore, Chongqing Chuanwei and Sinopec Northwest are connected persons of the Company. As such, the transaction contemplated under the Chongqing Chuanwei EPC Contract and the transactions under the Yakela Water Treatment Contract constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios in respect of the highest annual cap for the transactions contemplated under the Yakela Water Treatment Contract are less than 5% and the transaction amount is less than HK\$3 million, the transactions contemplated under the Yakela Water Treatment Contract were fully exempt from all connected transaction requirements under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Yakela Water Treatment Contract and the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance are entered into by Beijing Boqi with the Sinopec Group and within a 12-month period, they shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

The relevant percentage ratios in respect of the annual cap for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2022 as a result of the Deferred Standard Compliance are, when aggregated with the transaction under the Yakela Water Treatment Contract, less than 5% and the transaction amount for the year ending 31 December 2022 under the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance and under the Yakela Water Treatment Contract is expected to be more than HK\$3 million. Therefore, the continuing connected transactions contemplated under the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance will be subject to reporting, announcement and annual review requirements but will be exempt from independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

As stated above, the relevant amount contemplated under the Chongqing Chuanwei EPC Contract upon the Completion is currently not available since the final and total contract value contemplated under the Chongqing Chuanwei EPC contract will be subject to final accounting and auditing by Chongqing Chuanwei and the Company will re-comply with the announcement or shareholders' approval requirements under the Listing Rules as soon as practicable.

As Mr. Chen Xue, a non-executive director, is materially interested in the Chongqing Chuanwei EPC Contract and the transactions contemplated thereunder as a result of the Deferred Standard Compliance as he was nominated by the Sinopec Overseas as a Director, he has abstained from voting in respect of such transactions during the meeting of the Board for approving the same. Having made all reasonable enquiries, to the best of the Directors' knowledge, information and belief, save for Mr. Chen Xue, none of the Directors has any material interest in Chongqing Chuanwei EPC Contract, and the transactions contemplated thereunder as a result of the Deferred Standard Compliance.

REASONS FOR AND BENEFITS

Please refer to the paragraph headed "Letter from the Board – Reasons for and benefits of entering into the transactions contemplated under the Chongqing Chuanwei EPC Contract and Ningbo Procurement Contract" disclosed in the Circular for the reasons for and benefits of entering into of the transaction contemplated under the Chongqing Chuanwei EPC Contract. As of the date of this announcement, the Directors consider that such reasons and benefits remain unchanged.

As the schedule of the Chongqing Chuanwei EPC Project has been interrupted by the COVID-19 outbreak, the Directors consider that it is in the interest of the Group to defer the Standard Compliance, the final accounting and auditing of the Chongqing Chuanwei EPC Project and thus the Completion such that the Chongqing Chuanwei EPC Project can continue and the benefits expected to be brought by the Chongqing Chuanwei EPC Project can be materialized.

The Directors (including the independent non-executive Directors but excluding Mr. Chen Xue) consider that term of the Chongqing Chuanwei EPC Contract, the Deferred Standard Compliance and the proposed annual cap are on normal commercial terms and in the ordinary and usual course of business of the Group, and therefore are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The Group is mainly engaged in providing comprehensive and professional environmental management services in Mainland China to large industrial and energy customers, including flue gas treatment, water treatment, hazardous solid waste treatment and disposal, and energy saving for "dual carbon" goals, etc.

Beijing Boqi, a limited liability company established in the PRC, is an indirect wholly-owned subsidiary of the Company. Its principal business includes the provision of services, such as flue gas treatment, water treatment, hazardous solid waste treatment and disposal, and energy saving for "dual carbon" goals, etc., to large industrial and energy customers.

Chongqing Chuanwei is engaged in chemical and chemical fiber product production business which uses natural gas as the major raw material. Chongqing Chuanwei is indirectly wholly-owned by China Petrochemical Corporation and one of business units in Sinopec Group.

DEFINITIONS

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

“Beijing Boqi”	Beijing Boqi Electric Power SCI-TECH Co., Ltd., a limited liability established in the PRC and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Chongqing Chuanwei”	Chongqing Chuanwei Petrochemical Engineering Company Limited* (中國石化集團重慶川維化工有限公司), a limited liability company established in the PRC and a subsidiary of the Sinopec Group
“Chongqing Chuanwei EPC Contract”	an EPC master contract entered into between Beijing Boqi and Chongqing Chuanwei on 14 September 2018 in relation to the Chongqing Chuanwei EPC Project
“Chongqing Chuanwei EPC Project”	the project regarding the engineering, procurement and construction of denitrification, desulfurization and dust removal upgrade in the upgrade project on ultra-low emissions of coal fired boiler contemplated under the Chongqing Chuanwei EPC Contract
“Company”	China Boqi Environmental (Holding) Co., Ltd., a company incorporated in Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange
“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
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the same meaning ascribed thereto under the Listing Rules
“COVID-19”	a coronavirus disease which has its outbreak since or around December 2019
“Deferred Standard Compliance”	the Standard Compliance being deferred to April 2022
“Directors”	the directors of the Company
“EPC”	engineering, procurement and construction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mainland China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, Hong Kong, Macau Special Administrative Region, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the shares of the Company
“Sinopec Group”	China Petrochemical Corporation and its subsidiaries
“Sinopec Northwest”	Sinopec Group Northwest Petroleum Branch* (中國石油化工股份有限公司西北油田分公司), a branch office of a limited liability company established in the PRC
“Sinopec Overseas”	Sinopec Overseas Investment Holding Limited (中國石化海外投資控股有限公司), a limited liability company incorporated in Hong Kong
“Standard Compliance”	after the Chongqing Chuanwei EPC 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yakela Water Treatment Contract”	a technical service framework agreement entered into between Beijing Boqi and Sinopec Northwest in October 2021 in relation to the Yakela Water Treatment Project
“Yakela Water Treatment Project”	the project regarding sewage treatment, operation and maintenance, repair and site management etc. of Yakela Sewage Station, in order to ensure that the treated sewage meets the stipulated water quality standards
“%”	per cent

* *The English translation of company names in Chinese is for identification purposes only.*

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

Beijing, the PRC, 28 June 2022

As at the date of this announcement, the executive Directors are Mr. Zeng Zhijun and Mr. Cheng Liqun 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.