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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)

**CONTINUING CONNECTED TRANSACTION
COMPLETION
OF THE CHONGQING CHUANWEI EPC CONTRACT**

COMPLETION OF THE CHONGQING CHUANWEI EPC CONTRACT

Based on the Completion Confirmation, the final accounting and auditing of the Chongqing Chuanwei EPC Project shall be completed by 2023 and all the material terms (including the pricing and payment terms) of the Chongqing Chuanwei EPC Contract remain unchanged.

PROPOSED ANNUAL CAP

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 under the Chongqing Chuanwei EPC Contract is approximately from RMB7.6 million to RMB8.4 million in 2023, based on the final and total contract value under the Chongqing Chuanwei EPC Contract according to final accounting and auditing by Chongqing Chuanwei, taking into account (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 Directors expect that the transaction amount for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2023 as a result of the Completion will not exceed the annual cap of RMB8.4 million. The above cap was determined with reference to (i) the communication between Beijing Boqi and Chongqing Chuanwei in respect of the estimated total contract amount pursuant to the terms of the Chongqing Chuanwei EPC Contract; (ii) the historical transaction amounts of the Chongqing Chuanwei EPC Contract as stated below; and (iii) the estimated transaction amount as a result of the Completion for the year ending 31 December 2023.

The audited historical transaction amounts under the Chongqing Chuanwei EPC Contract for the three years ended 31 December 2022 were approximately RMB39.7 million, RMB44.9 million and RMB5.9 million, respectively.

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 Completion are entered into or completed 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 2023 as a result of the Completion 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 2023 under the Chongqing Chuanwei EPC Contract as a result of the Completion 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 Completion 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.

BACKGROUND

References are made to (i) 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; (ii) 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; and (iii) announcements of the Company dated 28 June 2022 and 21 July 2022 regarding the continuing connected transactions under the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance.

Based on the Completion Confirmation, the final accounting and auditing of the Chongqing Chuanwei EPC Project shall be completed by 2023 and all the material terms (including the pricing and payment terms) of the Chongqing Chuanwei EPC Contract remain unchanged.

PROPOSED ANNUAL CAP

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 under the Chongqing Chuanwei EPC Contract is approximately from RMB7.6 million to RMB8.4 million in 2023, based on the final and total contract value under the Chongqing Chuanwei EPC Contract according to final accounting and auditing by Chongqing Chuanwei, taking into account (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 Directors expect that the transaction amount for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2023 as a result of the Completion will not exceed the annual cap of RMB8.4 million. The above cap was determined with reference to (i) the communication between Beijing Boqi and Chongqing Chuanwei in respect of the estimated total contract amount pursuant to the terms of the Chongqing Chuanwei EPC Contract; (ii) the historical transaction amounts of the Chongqing Chuanwei EPC Contract as stated below; and (iii) the estimated transaction amount as a result of the Completion for the year ending 31 December 2023.

The audited historical transaction amounts under the Chongqing Chuanwei EPC Contract for the three years ended 31 December 2022 were approximately RMB39.7 million, RMB44.9 million and RMB5.9 million, respectively.

BASIS FOR PRICING AND PAYMENT TERMS

The pricing of the Chongqing Chuanwei EPC Contract is determined by negotiations between Chongqing Chuanwei and Beijing Boqi on an arm's length basis with reference to the following factors:

- (1). the price of equipment and materials would be determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group; if there is no data for reference, the direct cost would be determined through enquiry of prevailing market prices. With these basis, the estimated gross profit of the Group would be determined;
- (2). the construction and installation fee would be calculated based on the approximate fixed fee standard and the ancillary fee standard in the petrochemical industry;
- (3). other preliminary cost (including insurance, design fee, technical service and other fees) would be calculated based on the approximate fixed fee standard in the petrochemical industry. With these basis, the reasonable estimated gross profit would be determined; and
- (4). a ceiling on estimated contract value of the Chongqing Chuanwei EPC Project at RMB206 million as set by Chongqing Chuanwei in the tender documents.

Meanwhile, the contract price may be adjusted based on the following factors:

- (1). contract price may vary according to (i) ad hoc adjustments in the scope of work, (ii) changes in equipment models, and (iii) ad hoc requests of Chongqing Chuanwei;
- (2). technical service and other fees shall decrease by 5.5% at the time of final settlement;
- (3). the costs of equipment and materials and the construction and installation expenses shall decrease by 4% at the time of final settlement;
- (4). if there is a net balance between the actual construction and installation expenses and 96% of the corresponding approved one, Beijing Boqi is entitled to 80% of the cost savings; and
- (5). if there is a net balance between the actual costs of equipment and materials and 96% of the corresponding approved one, Beijing Boqi is entitled to 90% of the cost savings.

Pursuant to the Chongqing Chuanwei EPC Contract, Chongqing Chuanwei will settle the total consideration of RMB200.4 million (tentative estimate of the total value as of the date of this announcement) in the following manner:

- (1). Cost of equipment and materials – Within 20 days upon passing the on-site inspection and acceptance of equipment and materials, Chongqing Chuanwei shall make a payment to Beijing Boqi for the receipt of project materials amounting to 70% of the cost of equipment and materials of the contract value;
- (2). Construction and installation expenses – Beijing Boqi reports on the completed progress of construction on a monthly basis. Within 20 days upon confirmation, Chongqing Chuanwei shall make a payment to Beijing Boqi amounting to 70% of the corresponding amount of the completed progress;
- (3). Technical service fee and other fees – Within 20 days upon the completion and approval of the basic design, the contract-issuing party makes a payment to the contractor amounting to 50% of total technical service fee and other fees of the contract; upon the completion of the detailed design and its approval by Chongqing Chuanwei, Chongqing Chuanwei shall make a payment which adds up to 80% of total technical service fee and other fees of the contract value;
- (4). Project standard compliance – After the whole 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; and
- (5). Project completion – After the final accounting and auditing for project completion, Chongqing Chuanwei makes 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.

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 Completion are entered into or completed 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 2023 as a result of the Completion 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 2023 under the Chongqing Chuanwei EPC Contract as a result of the Completion 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 Completion 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 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 Completion 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 Completion.

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. The Completion shall materialise the benefits expected to be brought by the Chongqing Chuanwei EPC Project.

The Directors (including the independent non-executive Directors but excluding Mr. Chen Xue) consider that term of the Chongqing Chuanwei EPC Contract, the Completion 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 dual carbon new energy⁺, 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 dual carbon new energy⁺, 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, which shall be conducted by 2023 according to the Completion Confirmation
“Completion Confirmation”	confirmation dated 27 October 2023 signed by Beijing Boqi and Chongqing Chuanwei
“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
“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

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

Beijing, PRC, 27 October 2023

As at the date of this announcement, the executive Directors are Mr. Zeng Zhijun, Mr. Liu Genyu and Ms. Qian Xiaoning; the non-executive Directors are Mr. Cheng Liquan Richard, Mr. Zheng Tony Tuo, Mr. Zhu Weihang and Mr. Chen Xue; and the independent non-executive Directors are Dr. Xie Guozhong, Mr. Lu Zhifang, Prof. Yu Wayne W. and Ms. Zhang Fan.

* *For identification purpose only*