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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)

- (I) CONTINUING CONNECTED TRANSACTION IN RELATION TO
NO. 7-8 YANGXI FACILITIES EPC CONTRACT;
(II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE;
(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION;
(C) NO. 5-6 YANGXI FACILITIES
MAINTENANCE SERVICE AGREEMENT;
AND
(D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND
DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



NO. 7-8 YANGXI FACILITIES EPC CONTRACT

Beijing Boqi shall enter into an EPC contract with Yangxi Electric upon the approval by the Independent Shareholders at the EGM regarding the EPC of No. 7-8 Yangxi Facilities with the consideration of RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included).

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE; (B) NO. 3-4 YANGXI FACILITIES O&M OPERATION; (C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT; AND (D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT

Please refer to the Company's announcements dated 27 October 2023 and 25 January 2022 and the Company's circular dated 12 December 2023 for the background and history of (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Since the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges will expire on 31 December 2025, the Company proposed to set the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of No. 7-8 Yangxi Facilities EPC Contract exceeds 5%, the transactions under No. 7-8 Yangxi Facilities EPC Contract are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, since (i) No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement; (ii) the 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are entered into by the Group with the same party or parties who are connected with one another within a 12-month period, and (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are of a similar nature, the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall be aggregated, and the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service and (ii) No. 3-4 Yangxi Facilities O&M Operation shall be aggregated.

As the highest applicable percentage ratio on an aggregated basis in respect of the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges exceeds 5%, (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing, among other matters, (i) further details of No. 7-8 Yangxi Facilities EPC Contract; (ii) further details of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (including the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges); (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 8 August 2025, as additional time is required to finalise certain information to be included in the circular.

I. NO. 7-8 YANGXI FACILITIES EPC CONTRACT

Beijing Boqi shall enter into an EPC contract with Yangxi Electric upon the approval by the Independent Shareholders at the EGM regarding the EPC of No. 7-8 Yangxi Facilities with the consideration of approximately RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included). The major terms of No. 7-8 Yangxi Facilities EPC Contract are as follows:

- Parties: Yangxi Electric, as the principal; and
Beijing Boqi, as the contractor
- Scope of service: Facilities supply and installation and commissioning of No. 7-8 Yangxi Facilities, including but not limited to facilities design, facilities selection, facilities procurement and supply, facilities design, installation and commissioning, on-site services, technical guidance, and other work scope within No. 7-8 Yangxi Facilities EPC Contract, as well as defect repair and warranty during the warranty period caused by reasons and responsibilities of Beijing Boqi.
- Term: The total term requirement from Yangxi Electric: before the cold-state test of each boiler, the corresponding desulfurization units should be capable for flue gas supply, and the desulfurization units should complete the 168-hour trial operation simultaneously with the corresponding No. 7-8 Yangxi Facilities.
- The preliminary term: from the first concrete tank in the main plant (boiler room) to the first flue gas connection of the desulfurization units, No. 7 Yangxi Facilities has a term of 26 months and No. 8 Yangxi Facilities has a term of 32 months. The two desulfurization units should complete the 168-hour trial operation simultaneously with the corresponding No. 7-8 Yangxi Facilities.
- The above term is based on preliminary plan and for reference only. Beijing Boqi should, on the premise of meeting the construction period goals of Yangxi Electric, formulate its own construction period goals, quality goals, cost goals and other goals.
- Consideration: RMB129.58 million (excluding tax, and approximately RMB143.66 million with tax included)

Payment terms:

(i). Payment of advance payment

After the signing and effectiveness of No. 7-8 Yangxi Facilities EPC Contract, within 45 days after Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric, Yangxi Electric shall pay 10% of the total consideration (i.e. RMB14,366,000 with tax included) to Beijing Boqi as an advance payment:

(a). the irrevocable performance guarantee issued by Beijing Boqi in favor of Yangxi Electric in the amount of 10% of the total consideration; and

(b). financial receipt for 10% of the total consideration.

(ii). Payment for installation and commissioning

Within 45 days after Beijing Boqi completes the construction nodes as required and confirmed by Yangxi Electric, and submits the application form for the node progress payment for approval by Yangxi Electric, Yangxi Electric shall pay the node progress payment to Beijing Boqi. The specific payment nodes are as follows:

No.	Payment nodes	No. 7 Yangxi Facilities		No. 8 Yangxi Facilities	
		Percentage of the total consideration	Payment amount (RMB)	Percentage of the total consideration	Payment amount (RMB)
1	Desulfurization absorption tower foundation zero meters above	3%	4,309,800	3%	4,309,800
2	Desulfurization absorption tower top	5%	7,183,000	5%	7,183,000
3	Desulfurization complex building foundation zero meters above	5%	7,183,000		
4	Desulfurization complex building to the top	8%	11,492,800		
5	Anti-corrosion of desulfurization absorption tower completed	7.5%	10,774,500	7.5%	10,774,500
6	Desulfurization 10KV power reception	6%	8,619,600		
7	Unit flushing completed	10%	14,366,000	10%	14,366,000
Total		44.5%	63,928,700	25.5%	36,633,300

(iii). Payment of preliminary acceptance payment

Yangxi Electric shall pay 5% of the total consideration (i.e. RMB7,183,000 with tax included) to Beijing Boqi within 45 days after Beijing Boqi completes all delivery obligations under No. 7-8 Yangxi Facilities EPC Contract and completes 168-hour commissioning of a single unit of facilities and Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric:

- (a). the preliminary acceptance certificate for the contract equipment price of the unit of facilities signed by the authorized representative of Yangxi Electric; and
- (b). list of random/mandatory spare parts (if any) and special tools to be handed over.

(iv). Payment of quality guarantee deposit

10% of the total consideration shall be regarded as the quality guarantee deposit for the facilities (the quality guarantee deposit for a single unit of facilities is 5% of the total consideration). The quality guarantee period and the starting date shall be subject to the provisions of the technical agreement signed by Yangxi Electric and Beijing Boqi. Upon the expiration of the quality guarantee period of a single unit of facilities, within 45 days after Yangxi Electric issues the final acceptance certificate and Beijing Boqi submits the following documents and these documents are verified to be correct by Yangxi Electric, Yangxi Electric shall pay 5% of the total consideration (i.e. RMB7,183,000 with tax included) to Beijing Boqi:

- (a). the final acceptance certificate of the unit of facilities signed by the authorized representative of Yangxi Electric.

Performance
assessment:

If the project design changes due to design reasons, resulting in costs exceeding 30% of the basic contingency reserve in the estimated budget, a fine of 2% of the total contract value will be imposed for every 5% exceeding the budget. If the determined design principles change and the additional cost of a single design change (as determined by Yangxi Electric) exceeds RMB500,000 (including RMB500,000), the portion exceeding RMB500,000 shall be borne by Beijing Boqi.

Internal Control Measures

In order to protect the interests of Shareholders, the Group will continue to adopt and/or continue to procure and maintain the following guidelines and principles when monitoring its transactions under No. 7-8 Yangxi Facilities EPC Contract: the Company will focus on the follow-up of the project of No. 7-8 Yangxi Facilities, including preliminary technical communication and recommendation, as well as participation in the public tender process. While preparing the bidding documents, the Company formulated the preliminary target budget for the project of No. 7-8 Yangxi Facilities based on factors such as the scope of work to be undertaken and the requirements of the tender invitation. Upon successful bidding of the project, the contract entered into with the client will be reviewed and approved by the relevant internal departments of the Company. After the signing of No. 7-8 Yangxi Facilities EPC Contract, the Group will prepare a detailed target budget for the project of No. 7-8 Yangxi Facilities in accordance with the contract requirements. The detailed target budget shall be approved by the Company's business decision-making committee and will be used as a standard for the subsequent assessment of budget management. In order to further protect the interests of Shareholders in the future, the Group will designate specific personnel to be responsible for the daily operation and monitoring of the transactions contemplated under No. 7-8 Yangxi Facilities EPC Contract. In addition, the Company will also review the transactions annually to sum up its experience and remedy any deficiencies.

Basis for Consideration

The consideration of No. 7-8 Yangxi Facilities EPC Contract is determined by negotiations between Yangxi Electric and Beijing Boqi on an arm's length basis with reference to the following factors:

- (i) the price of equipment and materials was determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group, and the reasonable estimated gross profit was considered on this basis;
- (ii) the construction and installation fee was calculated based on the approximate fixed fee standard and the ancillary fee standard in the electric power industry; and
- (iii) other preliminary cost (including insurance, design fee, technical service and other fees) was calculated based on the approximate fixed fee standard in the electric power industry, and the reasonable estimated gross profit was considered on this basis.

Reasons for and Benefits of Entering into No. 7-8 Yangxi Facilities EPC Contract

In recent years, the standards of coal consumption and pollution emission have been significantly tightened. In order to comply with the relevant stringent standards, reduce operating risks and minimize the costs that will be incurred, Yangxi Electric has engaged Beijing Boqi, a recognized leading comprehensive flue gas governance service provider, as the sole desulfurization and denitrification service provider for its Guangdong Huaxia Yangxi power plant. In addition, it is in the interest of Yangxi Electric to retain only one desulfurization and denitrification service provider at Yangxi facilities to minimize costs and avoid having to manage several different service providers with different points of contact and possibly using different quality management systems. The desulfurization and denitrification services are provided in the course of the daily operation of the Group, and Beijing Boqi has won a number of recognized awards in the flue gas treatment industry. Moreover, Beijing Boqi has provided O&M services to Yangxi facilities in the past few years and has been familiarized with the operation and facilities of Yangxi Electric.

By entering into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Beijing Boqi utilizes its relevant professional experience and advantages in the maintenance of desulfurization and denitrification facilities to contribute its management experience and obtain reasonable income and returns. On this basis, the execution of No. 7-8 Yangxi Facilities EPC Contract is in line with the Group's overall strategy and business focus in the field of desulfurization and denitrification, and will further enhance its market position in Guangdong Province. It is in the interests of the Group as a whole to strengthen the competitive advantage of the Group's core business.

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the terms of No. 7-8 Yangxi Facilities EPC Contract have been made on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Proposed Annual Caps of No. 7-8 Yangxi Facilities EPC Contract

The proposed annual caps of No. 7-8 Yangxi Facilities EPC Contract is as follows:

	For the period from the date of EGM to 31 December 2025 (RMB' million)	For the year ending 31 December 2026 (RMB' million)	For the year ending 31 December 2027 (RMB' million)	For the period from 1 January 2027 to the 32 nd month from the date of EGM (RMB' million)
Proposed annual caps	4.95	44.55	88.91	4.12

When determining the above proposed annual caps, the Directors have considered the following factors:

- (i) the anticipated incomes of No. 7-8 Yangxi Facilities EPC Contract;
- (ii) the expected project schedules of the projects of No. 7-8 Yangxi Facilities, as the revenue generated thereunder shall be recognized by stages in accordance with such schedules; and
- (iii) a buffer of 10% for unexpected circumstances during the projects of No. 7-8 Yangxi Facilities.

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the consideration of the above factors in determining the proposed annual caps of No. 7-8 Yangxi Facilities EPC Contract are prudent, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

II. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE; (B) NO. 3-4 YANGXI FACILITIES O&M OPERATION; (C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT; AND (D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT

Please refer to the Company's announcements dated 27 October 2023 and 25 January 2022 and the Company's circular dated 12 December 2023 for the background and history of (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

The term of each of the aforesaid continuing connected transactions is set out as follows:

- (i). No. 1-2 Yangxi Facilities Operation Service has a term until 31 December 2039 pursuant to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement;
- (ii). No. 3-4 Yangxi Facilities O&M Operation's term was extended to 31 December 2028 pursuant to the 2023 Supplemental Agreement;
- (iii). No. 5-6 Yangxi Facilities Maintenance Service has a term from 1 January 2022 to 31 August 2027 pursuant to No. 5-6 Yangxi Facilities Maintenance Service Agreement; and

- (iv). No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance has a term of 50 months from the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to 31 July 2027, comprising (a) first stage up to 31 May 2024; (b) second stage from 1 June 2024 to 31 May 2025; and (c) third stage from 1 June 2025 to 31 July 2027, pursuant to No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

The transactions contemplated thereunder as well as the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges were approved at the extraordinary general meeting of the Company convened on 29 December 2023. Since the Existing Annual Caps for Service Fees and the Existing Annual Caps for Ancillary Charges will expire on 31 December 2025, the Company proposed to set the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

(A) NO. 1-2 YANGXI FACILITIES OPERATION SERVICE

On 27 October 2023, Beijing Boqi entered into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement with Guangdong Huaxia Electric and Yangxi Electric, pursuant to which Beijing Boqi agreed to acquire from Yangxi Electric No. 1-2 Yangxi Facilities (except for land) for the consideration of RMB154.26 million (excluding tax) (i.e. the Acquisition). According to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, upon completion of the Acquisition, the O&M services in relation to No. 1-2 Yangxi Facilities provided by Beijing Boqi under the Yangxi Agreements shall be terminated and Beijing Boqi shall carry out No. 1-2 Yangxi Facilities Operation Service for a term until 31 December 2039. Under No. 1-2 Yangxi Facilities Operation Service, Beijing Boqi shall receive service fees in relation to (i) desulfurization and denitrification subsidies that are calculated by multiplying on-grid power generation by the applicable fixed rates; and (ii) “ultra-low emission” operation service fees that are calculated based on actual operation and maintenance costs. Meanwhile, Beijing Boqi shall pay Yangxi Electric ancillary charges arising from No. 1-2 Yangxi Facilities Operation Service.

Major terms in relation to No. 1-2 Yangxi Facilities Operation Service under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement are set out below:

Term for No. 1-2 Yangxi Facilities Operation Service:	No. 1-2 Yangxi Facilities Operation Service shall have a term until 31 December 2039. Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 1-2 Yangxi Facilities Operation Service, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the circular of the Company dated 12 December 2023.
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Scope of No. 1-2 Yangxi Facilities Operation Service:	<p>Beijing Boqi shall be responsible for provision of operation service by utilizing No. 1-2 Yangxi Facilities in relation to desulfurization and denitrification to ensure that Yangxi Electric's production and operation can meet the national standards and relevant requirements. The scope of No. 1-2 Yangxi Facilities Operation Service shall include (among others):</p> <ul style="list-style-type: none"> (i). determining the inlet parameter ranges of sulfur dioxide in the desulfurization system and nitrogen oxides in the denitrification system according to applicable laws, regulations and standards, project design conditions and current actual operating conditions; (ii). system operation, daily maintenance, overhaul service, gypsum and desulfurization and denitrification waste treatment and other related work; (iii). coordinating with relevant government departments and be responsible for relevant costs; (iv). ensuring the safe and stable operation of No. 1-2 Yangxi Facilities and meeting the operation needs of the relevant power plant; (v). subject to compliance with the inlet parameter requirements, ensuring the relevant pollutant discharge indicators comply with the applicable laws, regulations and standards, and ensuring the total amount of pollutant discharge is not higher than the project indicators as issued by the relevant PRC government department; and (vi). subject to compliance with the inlet parameter requirements, carrying out relevant upgrades and technical transformation to meet the latest requirements of applicable laws, regulations and standards.
Service fees:	<p>The service fees in respect of No. 1-2 Yangxi Facilities Operation Service are calculated in the following manners:</p>

(i). Desulfurization and denitrification subsidies

The service fees in respect of desulfurization and denitrification subsidies shall be calculated by multiplying on-grid electricity generation (kWh) to be generated by No. 1-2 Yangxi power generating units by RMB0.025 per kWh, being the rate as mutually agreed by the parties after considering the “benchmark desulfurization and denitrification subsidies”. Such rate shall be adjusted according to changes in “benchmark desulfurization and denitrification subsidies”. According to Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908 (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908 號)), the currently applicable “benchmark desulfurization subsidies” is RMB0.015 per kWh (tax included) and the currently applicable “benchmark denitrification subsidies” is RMB0.01 per kWh (tax included).

The aforesaid rate of RMB0.025 per kWh has been determined after taking into account (i) the aforesaid “benchmark desulfurization and denitrification subsidies”; (ii) additional costs and expenses to be incurred after No. 1-2 Yangxi Facilities became our assets subsequent to the Acquisition; and (iii) the expected costs involving the installed capacity of the coal-fired power plant, the type of devices installed, and the flue gas parameters of the environmental protection device (flue gas volume, SO₂ content of the flue gas inlet, NO_x content of the inlet), limestone, spare parts, labor, which reflect the specific requirements of each project. As such, the Directors were of the view that the rate is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

In addition, the service fees in respect of desulfurization and denitrification subsidies shall be subject to a “floating” adjustment ranging from 10% premium to 10% discount (i.e. $\pm 10\%$) with reference to Yangxi Electric’s annual profits based on its audited annual financial statements in the following manner:

- (a). if Yangxi Electric records net profits for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment ranging from 10% premium to 10% discount based on the annual settlement in respect of desulfurization and denitrification subsidies; and

- (b). if Yangxi Electric records net loss for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount of up to 10% only based on the annual settlement in respect of desulfurization and denitrification subsidies.

(ii). “Ultra-low emission” operation service fees

The service fees in respect of “ultra-low emission” operation shall be equivalent to the actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi plus a premium of 10%, as well as plus value-added tax based on the invoice issued by Beijing Boqi.

The actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi comprises fixed cost and variable cost. Fixed cost shall include labor cost (including management cost), spare parts cost and auxiliary material cost which is adjusted according to the PPI of Guangdong Province the year before. The annual labour cost shall be RMB150,500 and the annual spare parts cost shall be RMB250,000. Variable cost shall include electricity charges and expenses in relation to limestone, liquid ammonia, gypsum and catalyst and is calculated by multiplying the consumption per unit of on-grid electricity generation by the applicable unit price based on the unified bidding and then further multiplied by actual on-grid electricity generation.

Payment obligation
of service fees:

- (i). For desulfurization and denitrification subsidies, Yangxi Electric shall pay to Beijing Boqi the service fee in relation to the following month on a monthly basis and within 90 days from the first day of the following month;
- (ii). For “floating” service fees, Yangxi Electric shall settle with Beijing Boqi on an annual basis; and
- (iii). For “ultra-low emission” operation service fees, Yangxi Electric shall pre-pay to Beijing Boqi the service fee in relation to the following quarter on a quarterly basis and within 90 days from the first day of the first month of a quarter, and settle based on the approved electricity generation for ultra-low emission on an annual basis, with refunds for excess and compensations for shortages.

Ancillary charges: Ancillary charges refer to relevant operation charges, which include water, electricity, vapor, gas, environmental protection penalty (including confiscated environmental electricity price), operation assessment and pollution tax and office and staff quarter charges and other relevant operational charges, which shall be calculated by multiplying the actual consumption by the applicable unit price stipulated in No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement.

Payment obligation of ancillary charges: Beijing Boqi shall pay the ancillary charges to Yangxi Electric on a monthly basis and within 90 days from the first day of the following month.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ended 31 December 2025 in relation to No. 1-2 Yangxi Facilities Operation Service under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement:

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	98.8	114.4
2024	103.0	152.9
2025	46.3 (for the period from 1 January 2025 to 31 May 2025)	152.9

(B) NO. 3-4 YANGXI FACILITIES O&M OPERATION

On 27 October 2023, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric entered into the 2023 Supplemental Agreement, pursuant to which the parties agreed to amend and supplement certain terms contemplated under the Yangxi Agreements. Major terms of the 2023 Supplemental Agreement are set out below:

Date: 27 October 2023

Parties: Beijing Boqi (as operation service provider)

Guangdong Huaxia Electric (as site owner)

Yangxi Electric (as site owner)

Subject matter: To amend and supplement certain terms contemplated under the Yangxi Agreements

Revised term: Pursuant to the Yangxi Agreements, the term shall be from 1 January 2017 to 31 December 2025.

Pursuant to the 2023 Supplemental Agreement, the parties agreed (i) to terminate the O&M operation of No. 1-2 Yangxi Facilities from the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) to extend the term of No. 3-4 Yangxi Facilities O&M Operation to 31 December 2028.

Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 3-4 Yangxi Facilities O&M Operation, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the circular of the Company dated 12 December 2023.

Revised service fees: The pricing terms has been adjusted retrospectively (without interest) from 1 January 2023, which include service fees for (i) No. 1-2 Yangxi Facilities from 1 January 2023 to the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) No. 3-4 Yangxi Facilities from 1 January 2023 to 31 December 2028, in the following manners:

(i). Desulfurization and denitrification subsidies

The service fees in respect of desulfurization and denitrification subsidies shall be calculated by multiplying on-grid electricity generation (kWh) to be generated by No. 1-4 Yangxi power generating units (as the case may be) by RMB0.02143 per kWh, being the fixed rate as mutually agreed by the parties after considering the “benchmark desulfurization and denitrification subsidies”.

The aforesaid rate of RMB0.02143 per kWh has been determined after taking into account (i) the aforesaid “benchmark desulfurization and denitrification subsidies”; and (ii) the expected costs involving the installed capacity of the coal-fired power plant, the type of devices installed, and the flue gas parameters of the environmental protection device (flue gas volume, SO₂ content of the flue gas inlet, NO_x content of the inlet), limestone, spare parts, labor, which reflect the specific requirements of each project. As such, the Directors were of the view that the rate is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

The service fees in respect of desulfurization and denitrification subsidies shall be subject to a “floating” adjustment ranging from 10% premium to 10% discount (i.e. $\pm 10\%$) with reference to Yangxi Electric’s annual profits based on its audited annual financial statements in the following manner:

- (a). if Yangxi Electric records net profits for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment ranging from 10% premium to 10% discount based on the annual settlement in respect of desulfurization and denitrification subsidies; and
- (b). if Yangxi Electric records net loss for its No. 1-4 units based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount of up to 10% only based on the annual settlement in respect of desulfurization and denitrification subsidies.

For details of the pricing terms in respect of the desulfurization and denitrification subsidies under the Yangxi Agreements, please refer to the circular of the Company dated 8 December 2020. Under the 2023 Supplemental Agreement, the pricing terms of desulfurization and denitrification subsidies shall be adjusted with introduction of upper and lower floor of 10% and further adjustment mechanism for the floating adjustment.

(ii). “Ultra-low emission” operation service fees

The service fees in respect of “ultra-low emission” operation shall be equivalent to the actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi plus a premium of 10%, as well as plus value-added tax based on the invoice issued by Beijing Boqi.

The actual operation and maintenance costs (excluding tax) incurred by Beijing Boqi comprises fixed cost and variable cost. Fixed cost shall include labor cost (including management cost), spare parts cost, and auxiliary material cost and shall consider an increase which is adjusted according to the PPI of Guangdong Province the year before. The annual labour cost shall be RMB150,500 and the annual spare parts cost and auxiliary material cost shall be RMB250,000 for No. 3-4 Yangxi Facilities after completion of the Acquisition. Variable cost shall include electricity charges and expenses in relation to limestone, liquid ammonia, gypsum and catalyst and is calculated by multiplying the consumption per unit of on-grid electricity generation by the applicable unit price based on the unified bidding and then further multiplied by actual on-grid electricity generation.

- Revised payment obligation of service fees:
- (i). For desulfurization and denitrification subsidies, Yangxi Electric shall pay to Beijing Boqi the service fee in relation to the following month on a monthly basis and within 90 days from the first day of the following month;
 - (ii). For “floating” service fees, Yangxi Electric shall settle with Beijing Boqi on an annual basis; and
 - (iii). For “ultra-low emission” operation service fees, Yangxi Electric shall pre-pay to Beijing Boqi the service fee in relation to the following quarter on a quarterly basis and within 90 days from the first day of the first month of a quarter, and settle based on the approved electricity generation for ultra-low emission on an annual basis, with refunds for excess and compensations for shortages.

Save as disclosed above, all other terms of the Yangxi Agreements shall remain unchanged. As such, all the relevant transactions in respect of O&M service of No. 1-4 Yangxi Facilities had been conducted pursuant to the Yangxi Agreements between 1 January 2023 and 27 October 2023, i.e. the date of the 2023 Supplemental Agreement. Other than (i) extension of the term of No. 3-4 Yangxi Facilities O&M Operation and termination of the O&M operation of No. 1-2 Yangxi Facilities from the completion date of the Acquisition which has been completed as of 5 February 2024; and (ii) revision of the pricing terms in relation to service fees under the 2023 Supplemental Agreement (details of which are disclosed above), the transactions contemplated under the 2023 Supplemental Agreement were the same as those conducted under the Yangxi Agreements, given all other terms of the Yangxi Agreements shall remain the same, and thus no new transactions would be contemplated under the 2023 Supplemental Agreement.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ended 31 December 2025 in relation to No. 3-4 Yangxi Facilities O&M Operation under the Yangxi Agreements (as supplemented by the 2023 Supplemental Agreement):

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	131.0	134.6
2024	109.4	142.3
2025	32.7 (for the period from 1 January 2025 to 31 May 2025)	142.3

Ancillary Charges under the Yangxi Agreements

Under the Yangxi Agreements, Beijing Boqi shall pay the ancillary charges to Yangxi Electric before the 10th day of each month, including water, electricity, vapor, gas, environmental protection penalty and pollution tax fees and other relevant operational charges. Terms in relation to ancillary charges were not revised by the 2023 Supplemental Agreement and thus, shall remain unchanged.

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ended 31 December 2025 in relation to ancillary charges of No. 1-4 Yangxi Facilities under the Yangxi Agreements:

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	71.9	81.5
2024	71.9	90.6
2025	25.6 (for the period from 1 January 2025 to 31 May 2025)	90.6

(C) NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT

On 25 January 2022, Beijing Boqi Yangxi Branch entered into No. 5-6 Yangxi Facilities Maintenance Service Agreement with Yangxi Electric. On 29 December 2023, Beijing Boqi Yangxi Branch entered into No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement with Yangxi Electric to amend the total service fee, which was approved at the extraordinary general meeting of the Company convened on 29 December 2023. The major terms of No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemented by No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement) are set out below:

- Parties: Beijing Boqi Yangxi Branch (as contractor and service provider)
- Yangxi Electric (as contract-issuing party)
- Term: From 1 January 2022 to 31 August 2027
- Subject: Provision of maintenance services in respect of No. 5-6 Yangxi Facilities by Beijing Boqi Yangxi Branch
- Scope of service: The scope of maintenance services includes but not limited to:
- (1) Maintenance facilities: all maintenance facilities of desulfurization, denitration and public systems (including ammonia area); desulfurization wastewater treatment system and its supporting equipment; desulfurization wastewater drug handling/preparation, etc.; glass flake and spray layer repair (single repair $\leq 50\text{m}^2$);
 - (2) Electrical facilities: all on-site power boxes, distribution boxes, maintenance power boxes and other primary and secondary equipment; outsourced work for low-voltage motors of 37kW and below (including coil replacement, rotor dynamic balance, shaft spraying repair, etc.); 10kV system panel (responsible for the primary electrical part only), 380V system panel, DC system panel and battery, UPS panel, dry-type transformer, local transfer motor equipment, local maintenance box, ventilation, cables, and cable fire protection facilities, cable tray, cable trench and grounding system; lightning protection facilities;

- (3) Thermal control facilities: all thermal control facilities for desulfurization, denitrification, and public systems (including ammonia area); all thermal control facilities for desulfurization and wastewater treatment system and its supporting equipment systems; desulfurization and denitrification CEMS system equipment;
- (4) Comprehensive facilities: fire-fighting water system and fire-fighting underground pipe network system; scaffolding erection and disassembly, thermal insulation disassembly and assembly, sporadic paint anticorrosion; daily inspection and maintenance of hoisting machinery, elevator equipment and shafts, and cooperation with the special equipment inspection department to complete the annual inspection; air conditioning and lighting maintenance;
- (5) Sanitation and cleaning: sanitation and cleaning of all equipment (including steel frames, pipes, etc.); sanitation and cleaning within the area (excluding ground cleaning and greening, watering and weeding); and
- (6) Other work within the scope of service of Beijing Boqi Yangxi Branch.

Service fee:

Subject to adjustment that may be made in accordance with No. 5-6 Yangxi Facilities Maintenance Service Agreement, the total revised service fee is RMB35,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement which was increased from the total original service fee of RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement, details of which are set out below:

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
1.	Routine maintenance fee for No. 5-6 Yangxi Facilities (<i>Note 1</i>)	455,864 per month	68 months	30,998,752
2.	C-level inspection and maintenance for each of No. 5-6 Yangxi Facilities (<i>Note 2</i>)	192,124.80 each (<i>subject to actual costs incurred</i>)	10 times	1,921,248 (<i>subject to actual costs incurred</i>)

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
3.	Adjustment provision for labor costs for routine maintenance for No. 5-6 Yangxi Facilities in the third stage between 1 January 2025 and 31 August 2027 (Note 3)	Nil	Nil	1,000,000 (subject to adjustment mechanism stated below)
4.	Projects of which the individual project price exceeds RMB50,000 but less than RMB100,000 (Note 4)	Nil	Nil	2,000,000
Total				35,920,000

Notes:

- The routine maintenance fee primarily includes labor costs, ancillary facilities and equipment fee, management fee, consumable material costs, etc. The labor costs are determined with reference to the prevailing market price of labor unit of Yangjiang City and the estimated number of on-site workers based on the Group's other existing projects for provision of similar maintenance services.*
- The C-level inspection and maintenance is determined with reference to the terms of other existing maintenance service agreements in relation to the provision of services to power plants for the maintenance of desulfurization and denitrification facilities that have been entered into by the Group.*
- The amount of adjustment provision for labor costs for routine maintenance is determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.*
- Pursuant to No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement, the total service fee was revised so as to cover (i) the projects of which the individual project price does not exceed RMB50,000, which was already included in the original total service fee of RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (ii) the projects of which the individual project price exceeds RMB50,000 but less than RMB100,000 which was additionally added stated above.*

For projects of which the individual project price exceeds RMB100,000, Yangxi Electric will undergo separate tender process to seek service providers.

The total service fee was increased from RMB33,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Agreement to RMB35,920,000 under No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement to better meet on-site service and emergency needs, and the revised service fee in respect of No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement is determined based on the expected service fee to be incurred from additional service fee coverage of projects with the individual project (such as additional on-site technology improvements, rectifications, emergency repairs and equipment abnormalities, etc.) price that exceeds RMB50,000 but less than RMB100,000.

Payment term:

(1) Monthly payment:

Beijing Boqi Yangxi Branch shall submit the payment application form for service fee incurred for the previous month before the 10th of each month to Yangxi Electric. Yangxi Electric shall pay Beijing Boqi Yangxi Branch 90% of the total payment for the previous month as approved by Yangxi Electric and the remaining 10% will be withheld by Yangxi Electric as maintenance warranty (the “**maintenance warranty**”). The last monthly payment will be made after the parties settle No. 5-6 Yangxi Facilities Maintenance Service Agreement.

(2) Refund of the maintenance warranty:

- (a) Routine maintenance warranty: Yangxi Electric shall refund routine maintenance warranty (interest-free) annually after the expiration of the annual routine maintenance period and within 30 days after Yangxi Electric confirms that the facilities have no maintenance quality issue. The last refund for the routine maintenance warranty will be made after the parties settle No. 5-6 Yangxi Facilities Maintenance Service Agreement.
- (b) C-level inspection and maintenance warranty: Yangxi Electric shall refund the C-level maintenance warranty (interest-free) after three months from the completion of a single C-level inspection and maintenance by Beijing Boqi Yangxi Branch and within 30 days after Yangxi Electric confirms that the facilities have no quality issues.

Adjustment mechanism for labor costs:

The labor costs for routine maintenance in the first and second stages will not be adjusted. Only the labor costs incurred in the third stage (i.e. from 1 January 2025 to 31 August 2027) will be adjusted.

The calculation formula of labor cost adjustment: $F_i = M \times C \times$ the third-stage monthly maintenance quantity (i.e. 32 months), of which:

F_i = the adjustment price of the labor cost for the routine maintenance in the third stage;

M = the monthly labor cost for the routine maintenance (the maximum shall not exceed 72% of the total monthly routine maintenance fee);

C = the adjustment ratio of labor cost ($-10\% \leq C \leq 10\%$, the excess part will not be adjusted);

$$\text{The adjustment ratio of the labor cost} = \left(\frac{\text{the weighted average price of the comprehensive labor unit price of the Yangjiang Project Cost Information in the first quarter of 2025}}{\text{the weighted average price of the comprehensive labor unit price of the Yangjiang Project Cost Information in the third quarter of 2021}} - 100\% \right) \times 50\%$$

The comprehensive labor unit price is determined with reference to the “Yangjiang Project Cost Information” during the performance of No. 5-6 Yangxi Facilities Maintenance Service Agreement. The labor cost adjustment for the routine maintenance in the third phase will be paid on an average monthly basis since the second quarter of the third phase.

Based on the principle of risk sharing, if the weighted average price of the comprehensive labor unit price in the third stage drops year-on-year, Yangxi Electric will deduct the payment to Beijing Boqi Yangxi Branch according to the above-mentioned labor cost adjustment calculation principle. If Beijing Boqi Yangxi Branch raises any objection and requests termination of No. 5-6 Yangxi Facilities Maintenance Service Agreement, it shall be deemed as a breach of contract. Yangxi Electric has the right to deduct the unpaid adjustment of labor costs for the routine maintenance, and Beijing Boqi Yangxi Branch shall also compensate Yangxi Electric for liquidated damages of 20% of the annual routine maintenance fees. In the event the liquidated damages are not sufficient to compensate Yangxi Electric’s losses, and Yangxi Electric has the right to continue to seek additional compensation.

Performance
guarantee:

Beijing Boqi Yangxi Branch shall provide an unconditional, irrevocable, and pay-on-demand bank performance guarantee (in the form and content as agreed by Beijing Boqi Yangxi Branch and Yangxi Electric) (the “**guarantee**”) in favor of Yangxi Electric with an amount equivalent to 10% of the annual routine maintenance fee. The guarantee will be refunded without interest within 30 days after the expiration or termination of No. 5-6 Yangxi Facilities Maintenance Service Agreement.

Upon receiving the guarantee, Yangxi Electric will refund the tendering deposit.

If Beijing Boqi Yangxi Branch fails to comply with No. 5-6 Yangxi Facilities Maintenance Service Agreement, Yangxi Electric has the right to unilaterally terminate No. 5-6 Yangxi Facilities Maintenance Service Agreement, and deduct all or part of the guarantee depending on the severity of the breach. For the avoidance of doubt, the guarantee co-exists with Beijing Boqi Yangxi Branch’s other responsibilities and liabilities under No. 5-6 Yangxi Facilities Maintenance Service Agreement.

Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 5-6 Yangxi Facilities Maintenance Service Agreement, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the announcement of the Company dated 25 January 2022.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ended 31 December 2025 under No. 5-6 Yangxi Facilities Maintenance Service Agreement (as supplemented by No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement):

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	5.5	6.1
2024	5.3	7.2
2025	2.5 (for the period from 1 January 2025 to 31 May 2025)	7.2

(D) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT

On 29 December 2023, Beijing Boqi Yangxi Branch entered into No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement with Yangxi Electric, which was approved at the extraordinary general meeting of the Company convened on 29 December 2023. Major terms of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are set out below:

Parties: Beijing Boqi Yangxi Branch (as contractor and service provider)

Yangxi Electric (as contract-issuing party)

Term: 50 months. From the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to 31 July 2027, comprising (i) first stage up to 31 May 2024; (ii) second stage from 1 June 2024 to 31 May 2025; and (iii) third stage from 1 June 2025 to 31 July 2027.

Pursuant to Rule 14A.52 of the Listing Rules, the Company had previously engaged Gram Capital as the independent financial adviser to explain the reasons for a period longer than three years required for the term of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, and Gram Capital had confirmed that it was normal business practice for an agreement of this type to be of such duration. For details, please refer to the circular of the Company dated 12 December 2023.

Subject matter: Provision of operation and maintenance services of coal conveying system and dock system (including pipe gallery, coal containing wastewater treatment system, all equipment at the dock, excluding air conditioning, firefighting, and lifting equipment within the bid section) in respect of No. 1-6 Yangxi Facilities by Beijing Boqi.

Service fee: The total service fee is approximately RMB84.9 million, details of which are set out below:

No.	Item	Unit price (RMB)	Amount	Total fee to be received during the entire term (RMB)
1.	Routine maintenance fee for No. 1-6 Yangxi Facilities (<i>Note 1</i>)	1,479,241.04 per month	50 months	73,962,052.00
2.	Separate priced items			
2.1.	Maintenance fee for delayed operation of No. 5-6 facilities (<i>Note 2</i>)	155,119.86 per month	40 months	6,204,794.40 (<i>subject to actual costs incurred</i>)
2.2.	Additional projects fee (<i>Note 3</i>)	Nil	Nil	2,000,000.00 (<i>subject to actual costs incurred</i>)
3.	Adjustment of labor costs for routine maintenance in the third stage (<i>Note 4</i>)	Nil	Nil	2,749,905.00 (<i>subject to adjustment mechanism stated below</i>)
Total				84,916,751.40

Notes:

1. The maintenance fee primarily includes labor costs, material costs, construction machinery cost, management fee, etc.
2. The maintenance fee for delayed operation of No. 5-6 facilities includes BC1A/B/C belt conveyor extension section and dock extension section, No. 4 ship unloader and No. 5 ship unloader.
3. For the individual project price exceeding RMB50,000 but less than RMB100,000, the total price of the additional projects fee is estimated to be RMB2,000,000 subject to the actual costs incurred.
4. The amount of adjustment provision for labor costs for maintenance is determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.

Pricing basis of service fee:

The total service fee in respect of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement is determined based on the bidding price offered by the Group based on the objective standards in terms of the required scope of services and the respective term and frequency required for different types of services set out in the tendering process, after which Yangxi Electric awarded the contract to us after conducting the bid-evaluation.

The tendering procedures mainly consist of certain stages: (i) Yangxi Electric will issue the tender invitation to various entities in the industry; (ii) the entities will prepare the tender materials according to the bidding invitation and submit to Yangxi Electric; and (iii) the bid-evaluation team of Yangxi Electric will consider the comprehensive aspects, such as the quotations, technical skills, business operation, qualification, historical trading records of the bidders, and settlement methods, and enter into a contract with the winning bidder.

The Group has performed and considered the following factors before determining the bidding price:

- (i). assigning a designated team responsible for preparing bidding proposals and other related work;
- (ii). liaising with the operation and technical departments to understand the nature of the project, including the technical skills, the manpower, materials and equipment involved;
- (iii). formulating the cost estimate by conducting research in the prevailing wages for the required manpower and obtain various quotations for the required materials and equipment;
- (iv). conducting on-site investigation to better understand the nature and requirements of the project;
- (v). conducting research in relation to the market prevailing prices of similar projects; and
- (vi). discussing and determining the appropriate range of bidding price for a balance between a competitive quotation and achieving better profitability of the project.

Taking into account the aforesaid factors, the Directors were of the view that the basis of determination of the total service fee is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

Payment term:

(1). Monthly payment:

Beijing Boqi Yangxi Branch shall submit the payment application form for service fee incurred for the previous month before the 10th of each month to Yangxi Electric. Yangxi Electric shall pay Beijing Boqi Yangxi Branch 90% of the total payment for the previous month as approved by Yangxi Electric and the remaining 10% will be withheld by Yangxi Electric as maintenance warranty (the “**maintenance warranty**”). The last monthly payment will be made after the parties settle No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

(2). Refund of the maintenance warranty:

Yangxi Electric shall refund routine maintenance warranty (interest-free) annually after the expiration of the annual routine maintenance period and within 30 days after Yangxi Electric confirms that the facilities have no maintenance quality issue. The last refund for the routine maintenance warranty will be made after the parties settle No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Adjustment
mechanism for
labor costs:

The labor costs for routine maintenance in the first and second stages will not be adjusted. Only the labor costs incurred in the third stage will be adjusted.

The calculation formula of labor cost adjustment:

$F_i = M \times C \times$ the third-stage monthly maintenance quantity (i.e. 26 months), of which:

F_i = the adjustment price of the labor cost for the routine maintenance in the third stage;

M = the monthly labor cost for the routine maintenance;

C = the adjustment ratio of labor cost ($-10\% \leq C \leq 10\%$, the excess part will not be adjusted).

$$= \left(\frac{\begin{array}{c} \text{the weighted average price} \\ \text{of the comprehensive labor unit price of} \\ \text{the Yangjiang Project Cost Information in} \\ \text{the first quarter of 2025} \end{array}}{\begin{array}{c} \text{the weighted average price} \\ \text{of the comprehensive labor unit price of} \\ \text{the Yangjiang Project Cost Information in} \\ \text{the first quarter of 2023} \end{array}} - 100\% \right) \times 50\%$$

Key assumptions:

- 1. Yangjiang Project Cost Information will remain an applicable benchmark for the comprehensive labor unit price in Guangdong Province.*
- 2. There will be no material changes in the labour market in Guangdong Province.*

The comprehensive labor unit price is determined with reference to the “Yangjiang Project Cost Information” during the performance of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement. The labor cost adjustment for the routine maintenance in the third stage will be paid on an average monthly basis since the second quarter of the third stage.

Based on the principle of risk sharing, if the weighted average price of the comprehensive labor unit price in the third stage drops year-on-year, Yangxi Electric will deduct the payment to Beijing Boqi Yangxi Branch according to the above-mentioned labor cost adjustment calculation principle. If Beijing Boqi Yangxi Branch raises any objection and requests termination of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, it shall be deemed as a breach of contract. Yangxi Electric has the right to deduct the unpaid adjustment of labor costs for the routine maintenance, and Beijing Boqi Yangxi Branch shall also compensate Yangxi Electric for liquidated damages of 20% of the annual routine maintenance fees. In the event the liquidated damages are not sufficient to compensate Yangxi Electric’s losses, and Yangxi Electric has the right to continue to seek additional compensation.

The liquidated damages of 20% of the annual routine maintenance fees is determined by both parties through negotiation on arm’s length basis. According to relevant applicable laws and regulations such as Civil Code of the People’s Republic of China (中華人民共和國民法典), the parties may agree that if one party breaches the contract, they shall pay a certain amount of liquidated damages to the other party based on the circumstances of the breach, and the percentage of the aforesaid liquidated damages of annual routine maintenance fees is comparable to the Group’s other similar transactions. Therefore, the Directors were of the view that the liquidated damages are fair and reasonable and on the normal commercial terms.

Performance
guarantee:

Beijing Boqi Yangxi Branch shall provide an unconditional, irrevocable and pay-on-demand bank performance guarantee (in the form and content as agreed by Beijing Boqi Yangxi Branch and Yangxi Electric) (the “**guarantee**”) in favor of Yangxi Electric with an amount equivalent to 10% of the annual routine maintenance fee. The guarantee will be refunded without interest within 30 days after the expiration or termination of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement. The guarantee with an amount equivalent to 10% of the annual routine maintenance fee is common industry practice for provision of operation and maintenance services of coal conveying system and dock system. Therefore, the Directors were of the view that the guarantee are fair and reasonable and on the normal commercial terms.

Upon receiving the guarantee, Yangxi Electric will refund the tendering deposit.

The tendering deposit was RMB800,000 and was determined after having considered relevant applicable laws and regulations such as Construction Tendering and Bidding Measures for Engineering Construction Projects (工程建設項目施工招標投標辦法), which provides that the tenderer can require a tendering deposit in the bidding documents; and the tendering deposit shall not exceed 2% of the estimated project price, but the maximum amount shall not exceed RMB800,000. Therefore, the Directors were of the view that the tendering arrangements are fair and reasonable and on the normal commercial terms.

If Beijing Boqi Yangxi Branch fails to comply with No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Yangxi Electric has the right to unilaterally terminate No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, and deduct all of the guarantee. For the avoidance of doubt, the guarantee co-exists with Beijing Boqi’s other responsibilities and liabilities under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Historical Figures and Annual Caps

The following table sets forth the actual transaction amounts for the two years ended 31 December 2024 and the period from 1 January 2025 to 31 May 2025 and existing annual caps for the three years ended 31 December 2025 in relation to No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement:

For the year ended 31 December	Actual transaction amounts (RMB' million)	Existing annual caps (RMB' million)
2023	7.0	7.7
2024	17.1	20.1
2025	7.0 (for the period from 1 January 2025 to 31 May 2025)	20.1

(E) BASIS OF PRICING TERMS OF THE CCTS

It is the opinion of the Board that the revenue from the CCTs is greatly affected by the scope of service and technical parameters. The pricing policies adopted for the CCTs have taken into account the following factors:

- (i). the expected costs and expenses involved in the CCTs, including but not limited to the costs relating to labour, materials and equipment;
- (ii). the applicable industry benchmark or standard, such as Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908 (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號));
- (iii). average sulfur and nitrogen content and dust volume of flue gas emission of the power plant and the standards to be met, the power generation volume and the location;
- (iv). reasonable returns, including profits gained through sale of reserve parts, spare parts and materials for equipment procured from third-party suppliers;
- (v). the requirements set out in the tender document(s) in terms of required scope of services and respective terms or frequency required for different types of services (as and when applicable); and
- (vi). the prevailing market prices of similar projects.

In respect of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation and No. 5-6 Yangxi Facilities Maintenance Service, the Company's historical project data show that the contract price obtained through commercial negotiations with independent third parties accounts for 65% to 142% of the prevailing government subsidies. The variation arises out of the cost difference in the installed capacity of the coal-fired power plant, the type of devices installed, and the flue gas parameters of the environmental protection device (flue gas volume, SO₂ content of the flue gas inlet, NO_x content of the inlet), limestone, spare parts, labor, which reflect the specific requirements of each project. At the time of entering into the Yangxi Agreements, the rate for the provision of O&M services was determined based on cost plus a reasonable profit margin. The Yangxi Agreements have been implemented since 2017 and the overall gross profit margin of the O&M segment of the Company remained within the range of 20% to 30% for the three financial years ended 31 December 2024. It is expected that the aforesaid overall gross profit margin of the O&M segment of the Company will not be adversely affected after provision of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation and No. 5-6 Yangxi Facilities Maintenance Service.

In the meantime, at the time of entering into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and 2023 Supplemental Agreement, the government subsidies available to Guangdong Huaxia Electric and Yangxi Electric have been taken into account as one of the factors for the negotiation between the parties for the O&M services rate, which is determined based on the relevant subsidies with respect to desulfurization and denitrification being RMB0.025 per kWh. In event that the government prescribed subsidies are adjusted, the service fees under the Yangxi Agreements shall be adjusted in accordance with further arm's length negotiations with Guangdong Huaxia Electric and Yangxi Electric and by mutual agreement between the parties to ensure that it is on normal commercial terms, no less favourable than those with independent third parties. If there will be any adjustment to the O&M service rate due to adjustment to government subsidies accordingly and supplemental agreement to the Yangxi Agreements to be entered into between the parties, the Company will comply with the approval and disclosure procedures as appropriate in a timely manner in accordance with the Listing Rules, if applicable. The government subsidies are for reference and any risks arising from Yangxi Electric's failure to receive the relevant subsidies from the power grid companies will not affect the service fee income of the Company. Since the implementation of the Yangxi Agreements in 2017 and as of the date of this announcement, the rate (per kWh) for the provision of O&M services under the Yangxi Agreements is a fixed rate (exclusive of value-added tax), which has not been adjusted as the government subsidies have not been adjusted during the corresponding period.

In respect of the floating adjustment in relation to No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation, the Directors have taken into account the following factors:

- (i). Floating adjustment has been in place for the service fees in respect of No. 1-4 Yangxi Facilities payable by Yangxi Electric to the Group, which has been determined based on the market conditions and applicable policies. After the long term cooperation, both the Group and Yangxi Electric agreed to further standardize the mechanism of floating adjustment based on the financial performance of No. 1-4 units owned by Yangxi Electric for risk sharing, so as to better maintain and strengthen the cooperation. The Group further negotiated a cap of $\pm 10\%$ as a means to control the risk involved in the floating adjustment.

- (ii). In the worst scenario that the Group's service fees in respect of desulfurization and denitrification subsidies are subject to a 10% discount, according to the results as calculated by the Company, the implied margins for No. 1-2 Yangxi Facilities Operation Service and No. 3-4 Yangxi Facilities O&M Operation still fall within the gross profit margin of projects in respect of similar services provided by the Group to independent third parties, and were above the median, which was within reasonable range.

Taking into account of the above, the Directors were of the view that the floating adjustment is fair and reasonable.

To the best knowledge and information of the Directors and having made all reasonable enquiries, given the business performance and operation of No. 1-4 units owned by Yangxi Electric are closely associated with the same sets of applicable rules, regulations and policies, Yangxi Electric has been conducting the audit works of its facilities altogether and found practical difficulties in preparing standalone financial statements in respect of No. 1-2 units and No. 3-4 units separately. As such, the floating adjustment in relation to No. 1-2 Yangxi Facilities and No. 3-4 Yangxi Facilities would be determined with reference to the net profit/loss recorded in the audited financial statements of Yangxi Electric, as no standalone audited financial statements would be available for No. 1-2 units or No. 3-4 units owned by Yangxi Electric.

In respect of No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance, the agreements of which were obtained through tender procedures, the Group has performed and considered a series of procedures and factors before determination of the bidding prices. For details, please refer to the paragraph headed "(D). No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement – Pricing basis of service fee" in this announcement above.

Taking into account the aforesaid reasons, the Directors were of the view that the pricing terms of the CCTs are fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

(F) PROPOSED ANNUAL CAPS

(1) Proposed Annual Caps for Service Fees

The aggregated Proposed Annual Caps for Service Fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are expected not to exceed RMB331.0 million, RMB323.5 million and RMB301.7 million for the three years ending 31 December 2028, among which, No. 5-6 Yangxi Facilities Maintenance Service has a term from 1 January 2022 to 31 August 2027 and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance has a term of 50 months from the date of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to 31 July 2027, comprising (i) first stage up to 31 May 2024; (ii) second stage from 1 June 2024 to 31 May 2025; and (iii) third stage from 1 June 2025 to 31 July 2027.

The Proposed Annual Caps for Service Fees are determined mainly after taking into account the revenue/costs expected to be incurred by the transactions contemplated under the aforementioned agreements, by adding a 10% buffer to provide the Company with some flexibility to cater for any unexpected increase in transaction amounts for previous year. The details of the revenue/costs expected to be incurred by the transactions contemplated under the aforementioned agreements are set out below:

(a). No. 1-2 Yangxi Facilities Operation Service

The proposed annual caps of No. 1-2 Yangxi Facilities Operation Service will be RMB153.2 million, RMB153.2 million and RMB153.2 million for the three years ending 31 December 2028, details of which are set out below.

(i). Desulfurization and denitrification subsidies

The expected service fees (inclusive of 10% buffer) in respect of desulfurization and denitrification subsidies from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 are determined after having considered the following factors:

- (a). Approximately 6,252 million kWh, being the estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units, having considered the historical on-grid electricity generation by No. 1-2 Yangxi power generating units, details of which are set out below:

	For the year ended 31 December						
	2018	2019	2020	2021	2022	2023	2024
Annual on-grid electricity generation generated by No. 1-2 Yangxi power generating units (million kWh)	6,252	4,999	3,374	4,764	3,245	4,527	3,722
							5,900
							(Note)

Note: being the estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units for the year ending 31 December 2025. The on-grid electricity generation generated by No. 1-2 Yangxi power generating units for the period from 1 January 2025 to 31 May 2025 was approximately 2,181 million kWh.

The estimated annual on-grid electricity generation to be generated by No. 1-2 Yangxi power generating units of approximately 6,252 million kWh for the three years ending 31 December 2028 is substantially more than that for 2024. The Directors expected that in the next three years, due to the surge in electricity demand driven by economic recovery, the difficulty of new energy to consistently fill the gap in energy demand in the short term, and the increased demand for energy security, the on-grid electricity generated by thermal power plants is expected to return to the peak level of previous years.

The on-grid power generation of No. 1-2 Yangxi power generating units is expected to remain at a relatively stable level in the near future with reference to its historical power generation, the GDP growth of Guangdong Province in recent years and the electricity consumption in Guangdong Province.

- (b). RMB0.025 per kWh (tax included), being the aggregate desulfurization and denitrification subsidies based on the current “benchmark desulfurization and denitrification subsidies”. Given that the “benchmark desulfurization and denitrification subsidies” is determined and promulgated by the relevant government authorities, the frequency of renewal is uncertain. The “benchmark desulfurization and denitrification subsidies” has remained stable. The desulfurization subsidy was set at RMB0.015 per kWh (value-added tax included) on 29 May 2007 and hasn’t changed since. The denitrification subsidy was RMB0.008 per kWh (value-added tax included) on 29 November 2011, and was increased to RMB0.01 per kWh (value-added tax included) on 27 August 2013. The subsidies with respect to desulfurization and denitrification being RMB0.025 per kWh is determined in accordance with the relevant regulations on the Determination of Desulfurization Price of Coal-Fired Generating Units and Operation of Desulfurization Facilities (燃煤發電機組脫硫電價及脫硫設施運行管理辦法) and the Notice on Further Diverting the Contradiction of Environmental Protection Electricity Prices (Development and Reform Price [2014] No. 1908 (關於進一步疏導環保電價矛盾的通知(發改價格[2014]1908號)). Therefore, the Directors considered that the fixed rate is on the normal commercial terms even though the frequency of renewal is uncertain; and
- (c). assuming Beijing Boqi will be entitled to the maximum “floating” premium of 10%.

(ii). *“Ultra-low emission” operation service fees*

The expected service fees (inclusive of 10% buffer) in respect of “ultra-low emission” operation service fees from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028 are determined after having considered the historical transaction amounts, the market rates and a prudent view that the transaction amounts for upcoming years shall be at a similar level.

(b). No. 3-4 Yangxi Facilities O&M Operation

The proposed annual caps of No. 3-4 Yangxi Facilities O&M Operation under 2023 Supplemental Agreement will be RMB148.4 million, RMB148.4 million and RMB148.4 million for the three years ending 31 December 2028, details of which are set out below.

(i). Desulfurization and denitrification subsidies

The expected service fees (inclusive of 10% buffer) in respect of desulfurization and denitrification subsidies in relation to No. 3-4 Yangxi Facilities O&M Operation under 2023 Supplemental Agreement for the three years ending 31 December 2028 are determined after having considered the following factors:

- (a). Approximately 6,057 million kWh, being the estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units (as the case may be) for the three years ending 31 December 2028, having considered the historical on-grid electricity generation by No. 3-4 Yangxi power generating units, details of which are set out below:

	For the year ended 31 December						
	2018	2019	2020	2021	2022	2023	2024
Annual on-grid electricity generation generated by No. 3-4 Yangxi power generating units (million kWh)	5,818	4,674	3,986	4,584	4,282	6,057	5,047
							(Note)

Note: being the estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units for the year ending 31 December 2025. The on-grid electricity generation generated by No. 3-4 Yangxi power generating units for the period from 1 January 2025 to 31 May 2025 was approximately 1,739 million kWh.

The estimated annual on-grid electricity generation to be generated by No. 3-4 Yangxi power generating units is approximately 6,057 million kWh for the three years ending 31 December 2028. The Directors expected that in the next three years, due to the surge in electricity demand driven by economic recovery, the difficulty of new energy to consistently fill the gap in energy demand in the short term, and the increased demand for energy security, the on-grid electricity generated by thermal power plants is expected to return to the peak level of previous years.

The on-grid power generation of No. 3-4 Yangxi power generating units is expected to remain at a relatively stable level in the near future with reference to its historical power generation, the GDP growth of Guangdong Province in recent years and the electricity consumption in Guangdong Province.

- (b). RMB0.02143 per kWh (tax included), being the fixed rate as mutually agreed by the parties and the same rate stipulated in the 2020 Supplemental Agreement. Given that the “benchmark desulfurization and denitrification subsidies” is determined and promulgated by the relevant government authorities, the frequency of renewal is uncertain. The “benchmark desulfurization and denitrification subsidies” has remained stable. Therefore, the Directors considered that the fixed rate is on the normal commercial terms even though the frequency of renewal is uncertain; and
- (c). the revised pricing terms pursuant to the 2023 Supplemental Agreement, which shall adjust the service fee from 1 January 2023.

(ii). *“Ultra-low emission” operation service fees*

The expected service fees (inclusive of 10% buffer) in respect of “ultra-low emission” operation service fees from No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028 are determined after having considered the historical transaction amounts, the market rates and a prudent view that the transaction amounts for upcoming years shall be at a similar level.

(c). No. 5-6 Yangxi Facilities Maintenance Service Agreement

The proposed annual caps under No. 5-6 Yangxi Facilities Maintenance Service Agreement will be RMB7.2 million and RMB5.1 million for the year ending 31 December 2026 and the period from 1 January 2027 to 31 August 2027. Such proposed annual caps were determined by the Board after taking into account the following factors:

- (i) the factors taken into account by the Board in determining the existing annual caps under No. 5-6 Yangxi Facilities Maintenance Service Agreement for the three years ending 31 December 2025, which include: (a) the fixed monthly routine maintenance fee as set out in No. 5-6 Yangxi Facilities Maintenance Service Agreement multiplied by corresponding number of service months during the year; and (b) the C-level inspection and maintenance fee as set out in No. 5-6 Yangxi Facilities Maintenance Service Agreement. Since Beijing Boqi will perform C-level inspection and maintenance service on an as-needed basis in relation to the operation of No. 5-6 Yangxi Facilities, the Company has assumed that the C-level inspection and maintenance service will be performed twice (i.e. once for each of No. 5-6 Yangxi Facilities) per year for the calculation of the existing annual caps under No. 5-6 Yangxi Facilities Maintenance Service Agreement. Nonetheless, Beijing Boqi will observe and comply with No. 5-6 Yangxi Facilities Maintenance Service Agreement and perform C-level inspection and maintenance service for No. 5-6 Yangxi Facilities up to 10 times in total; and (c) the potential labour costs increase and inflation and the adjustment mechanism in the third stage between 2025 and 2027 as set out in No. 5-6 Yangxi Facilities Maintenance Service Agreement. For further details, please refer to the announcement of the Company dated 25 January 2022;

- (ii) the historical transaction amounts under No. 5-6 Yangxi Facilities Maintenance Service Agreement; and
- (iii) the amended service fee pursuant to No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement.

(d). No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement

The proposed annual caps of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement will be RMB22.2 million and RMB16.8 million for the year ending 31 December 2026 and the period from 1 January 2027 to 31 July 2027. Such proposed annual caps are determined after having considered the following factors:

- (i). the aggregate of:
 - (a). the fixed monthly routine maintenance fee as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement multiplied by corresponding number of service months during the year;
 - (b). the estimated monthly maintenance fee for delayed operation of No. 5-6 Yangxi Facilities as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement multiplied by corresponding number of service months during the year;
 - (c). the estimated additional projects fee as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement divided by estimated months amount to complete the additional projects and multiplied by corresponding number of service months during the year; and
 - (d). the potential labour costs increase and inflation and the adjustment mechanism in the third stage as set out in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement;
- (ii). the inclusion of a buffer for the estimated amount of the services required by the Group under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement so as to accommodate any unexpected occurrence or unexpected increase in the cost of provision of the services as contemplated under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

(2) Proposed Annual Caps for Ancillary Charges

The aggregated Proposed Annual Caps for Ancillary Charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; and (ii) No. 3-4 Yangxi Facilities O&M Operation are expected not to exceed RMB99.2 million, RMB99.2 million and RMB99.2 million for the three years ending 31 December 2028.

(a). No. 1-2 Yangxi Facilities Operation Service

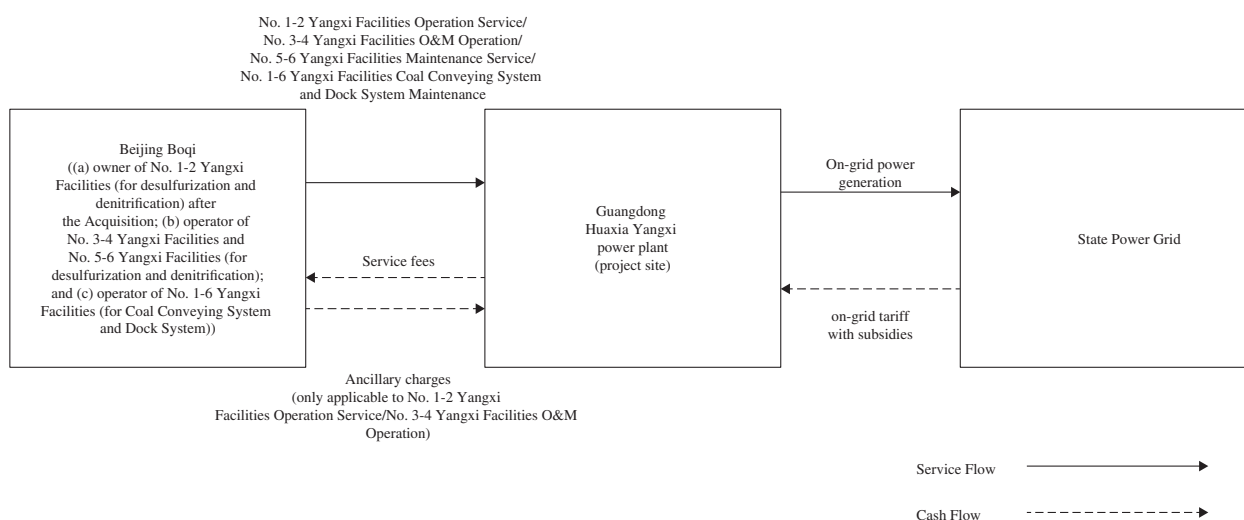
The expected ancillary charges (inclusive of 10% buffer) to be incurred by No. 1-2 Yangxi Facilities Operation Service, which will be RMB50.4 million, RMB50.4 million and RMB50.4 million for the three years ending 31 December 2028, are determined with reference to (i) historical ancillary charges incurred by No. 1-4 Yangxi Facilities under O&M services as stated above; (ii) pricing mechanism for ancillary charges pursuant to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement as disclosed above; and (iii) a prudent view that the transaction amounts for upcoming years shall be at a similar level.

(b). No. 3-4 Yangxi Facilities O&M Operation

The expected ancillary charges (inclusive of 10% buffer) under No. 3-4 Yangxi Facilities O&M Operation, which will be RMB48.8 million, RMB48.8 million and RMB48.8 million for the three years ending 31 December 2028, are determined with reference to (i) historical ancillary charges incurred by No. 1-4 Yangxi Facilities under O&M services as stated above; (ii) pricing mechanism for ancillary charges pursuant to Yangxi Agreements as disclosed above; and (iii) a prudent view that the transaction amounts for upcoming years shall be at a similar level.

(G) INTERNAL CONTROL MEASURES

The chart below sets forth the business flow of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance among Beijing Boqi, Guangdong Huaxia Yangxi power plant and the State Power Grid:



Service fees in respect of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement

The Company has in place comprehensive project management procedures. Firstly, the Company will establish a project team, which comprises of professionals from the marketing department, business center and technical actuarial department. Secondly, cost estimation will be performed by an inspector from Beijing Boqi who will enter the site of project. Finally, we will enter into commercial negotiation with site owners. During the contracting process, the Company will perform strict contract review and approval process internally with the terms of contract being confirmed by the legal department and financial department in addition to the review conducted by participating business department and the technical actuarial department, so as to guarantee the Company's interests.

The Company has developed standardization systems, enabling it to determine service fees for each operation service and O&M project through strict calculation. As such, the Directors are of the view that the project is carried out according to market practice and the service fees payable by Yangxi Electric will not be lower than those with independent third-party customers.

(i). Desulfurization and denitrification subsidies

The Operation Center of the Company conducts weekly checks on any update on the policies on the government prescribed subsidies for any adjustment, in the public domain and monthly checks on the latest status of the "benchmark on-grid tariff" promulgated by the competent government authorities. In the event that the "benchmark desulfurization and denitrification subsidies" prescribed by the PRC government are adjusted, the service fees in respect of desulfurization and denitrification subsidies under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement shall be adjusted accordingly in the manner as prescribed therein. Also, with respect to service fees in respect of desulfurization and denitrification subsidies under the 2023 Supplemental Agreement, the Company will negotiate with Yangxi Electric on arm's length negotiation such that it remains as normal commercial terms, no less favourable than those with independent third parties.

Except for the "10% floating adjustment" which shall be settled annually, service fees of desulfurization and denitrification subsidies under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement are settled monthly. On the 15th of each month, the settlement personnel of Yangxi Electric provide the relevant data with respect of the tariff and the settlement certificate between Guangdong Huaxia Yangxi power plant and the State Power Grid. Beijing Boqi determines the actual service fees for the previous month according to the settlement certificate between Guangdong Huaxia Yangxi power plant and the State Power Grid, including the weighted average on-grid tariff based on the on-grid power generation, and the power generation data, and according to the calculation method of the Proposed O&M Services Rate under the terms of the 2023 Supplemental Agreement. After the settlement personnel of both parties have confirmed the actual O&M services rate and the settlement data, the monthly settlement statement will be signed by the project personnel with the department seal in accordance with the internal approval process of Beijing Boqi.

(ii). “Ultra-low emission” operation

The service fee in respect of “ultra-low emission” operation includes fixed cost and variable cost. Fixed cost (such as labour cost and spare parts cost) will be paid in accordance with the terms stated in No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement. Variable costs (such as electricity charges and other expenses, both of which are calculated by multiplying the actual consumption) will be calculated based on actual costs and expenses incurred. In order to ensure that the sum paid upon settlement is the actual costs and expenses incurred, Beijing Boqi will establish a project team, which comprises of professionals from the marketing department, maintenance business center and technical actuarial department to check and calculate the “ultra-low emission” operation fees. Also, an inspector from Beijing Boqi who will enter the site of project to track the actual costs and expenses incurred.

Ancillary charges

In order to ensure that the sum paid upon settlement is the actual charges occurred, Beijing Boqi has installed meters in the areas of its operation. Each month, Beijing Boqi settles ancillary charges by calculation of the actual data with Guangdong Huaxia Yangxi power plant.

Specifically, Beijing Boqi has technical personnel on the project site for the provision of services in respect of the Yangxi Facilities, who will check the on-site meters tracking the energy consumption, such as water, electricity, gas and steam. Beijing Boqi and Yangxi Electric shall both confirm the relevant monthly statements prior to payment by Beijing Boqi, ensuring that the ancillary charges are the actual operation costs incurred.

In addition, the Company will endeavor to carry out adequate supervision over the transaction amount under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and the 2023 Supplemental Agreement against the relevant proposed annual caps, with a view to ensuring that necessary measures and appropriate actions for the compliance with the applicable requirements under the Listing Rules will be promptly taken. Data relating to connected transactions of the Company (including quarterly transaction amounts and cumulative amounts) will be reviewed on a quarterly basis.

Service fees in respect of No. 5-6 Yangxi Facilities Maintenance Service

The service fee in respect of routine maintenance fee for No. 5-6 Yangxi Facilities Maintenance Service (including the adjustment provision for labor costs for routine maintenance for No. 5-6 Yangxi Facilities in the third stage between January 2025 and August 2027) is fixed and will be paid in accordance with the terms stated in No. 5-6 Yangxi Facilities Maintenance Service Agreement.

Whereas, service fee in respect of C-level inspection and maintenance for No. 5-6 Yangxi Facilities Maintenance Services, expected to be a total of RMB1,921,248 as stated in No. 5-6 Yangxi Facilities Maintenance Service Agreement, will be calculated based on actual costs incurred. In order to ensure that the sum paid upon settlement is the actual costs incurred, Beijing Boqi will establish a project team, which comprises of professionals from the marketing department, maintenance business center and technical actuarial department to check and calculate the costs to be incurred, especially, an inspector from Beijing Boqi who will enter the site of project to track the costs incurred ensuring that the C-level inspection and maintenance fees are the actual costs incurred. The Group's finance department will double check services fees to be received according to settlement certificate between Beijing Boqi Yangxi Branch and Yangxi Electric.

Service fees in respect of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement

The service fee in respect of routine maintenance fee for No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance (including the adjustment provision for labor costs for routine maintenance for No. 1-6 Yangxi Facilities in the third stage) is fixed and will be paid in accordance with the terms stated in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Whereas, maintenance fee for delayed operation of No. 5-6 Yangxi Facilities and additional projects fee, expected to be a total of RMB8,204,794.4 as stated in No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, will be calculated based on actual costs incurred. In order to ensure that the sum paid upon settlement is the actual costs incurred, Beijing Boqi will establish a project team, which comprises of professionals from the marketing department, maintenance business center and technical actuarial department to check and calculate the costs to be incurred, especially, an inspector from Beijing Boqi who will enter the site of project to track the costs incurred ensuring that fees are the actual costs incurred. The Group's finance department will double check services fees to be received according to settlement certificate between Beijing Boqi Yangxi Branch and Yangxi Electric.

In addition, the Company will endeavor to carry out adequate supervision over the total transaction amount under No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement against the proposed annual caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements under the Listing Rules will be promptly taken. Information relating to connected transactions of the Company (including quarterly transaction amounts and cumulative amounts) will be reviewed on a quarterly basis.

The independent non-executive Directors will continue to review each of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement to ensure that it has been entered into on normal commercial terms or better, and its terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and provide confirmation in the Company's annual report.

If the transaction amount under each of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement reaches 80% of the relevant annual cap at any point of the year, the management would seek advice from the audit committee and the Board would consider the next steps, including the need to inform the Stock Exchange, to publish any announcement and to seek Independent Shareholders' approval for an increase in annual caps, if applicable.

(H) REASONS FOR AND BENEFITS OF THE CCTS

In recent years, coal consumption and pollution emission standards have been significantly tightened. To comply with such stringent standards, and minimize operational risk while also minimizing the costs to be incurred, Yangxi Electric engaged Beijing Boqi, being a leading independent and recognized flue gas treatment integrated service provider, to be the sole desulfurization and denitrification service provider for its Guangdong Huaxia Yangxi power plant. Further, it is in the benefit of Yangxi Electric to retain only one desulfurization and denitrification service provider to No. 1-6 Yangxi Facilities for the purpose of minimizing costs and eliminating the need to manage a few different service providers with different points of contact and who may use different quality management systems. Provision of desulfurization and denitrification services has been the Group's usual course of business, and Beijing Boqi has earned numerous highly-recognized awards in the flue gas treatment industry, and has already been familiarized with the operations and facilities of Yangxi Electric as a result of provision of O&M services for No. 1-6 Yangxi Facilities over the past years.

As disclosed in the Prospectus, pursuant to a cooperation framework agreement dated 20 May 2016 entered into between Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric, Beijing Boqi had agreed to acquire No. 1-4 Yangxi Facilities. Due to an unexpected delay in the release of the then mortgage of No. 1-4 Yangxi Facilities, such acquisitions were delayed and it was further agreed among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 28 August 2017 that such acquisitions shall not be proceeded with. The Directors subsequently understood that the mortgage of No. 1-2 Yangxi Facilities had been released and thus the Company has acquired No. 1-2 Yangxi Facilities, taking into account that the Acquisition can help the Group to better secure No. 1-2 Yangxi Facilities Operation Service, which is expected to be a stable income stream of the Group and that the Group has been familiarized with the operations of No. 1-2 Yangxi Facilities after being the sole desulfurization and denitrification service provider for years.

As of the date of this announcement, Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric were still in negotiation about the acquisition of No. 3-4 Yangxi Facilities by Beijing Boqi but have decided not to proceed with the acquisition of No. 5-6 Yangxi Facilities by Beijing Boqi.

By entering into No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Beijing Boqi will leverage its relevant professional experience and strengths in the maintenance of the desulfurization and denitrification facilities, deliver its management experience and gain reasonable income and returns. The execution of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying

System and Dock System Maintenance Service Agreement is in line with the Group's overall strategy and business focus of engaging in the maintenance of the desulfurization and denitrification facilities and will enhance its market presence in Guangdong province. The enhancement of the Group's competitive edge in its core business is in the interests of the Group as a whole.

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) are of the view that the consideration of the above factors in determining the Proposed Annual Caps for Service Fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028; (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 August 2027; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 July 2027, and the Proposed Annual Caps for Ancillary Charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028; and (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028, respectively, are prudent, fair and reasonable and in the interests of the Shareholders as a whole.

Reliance on Yangxi Electric

The Directors are of the view that the transactions with Yangxi Electric will not lead to material reliance by the Group on Yangxi Electric, based on the following reasons:

- (i). Upon completion of the Acquisition which has been completed as of 5 February 2024, Beijing Boqi owns all the rights and interest (except for land) in No. 1-2 Yangxi Facilities, which means Beijing Boqi has a long-term and stable impact on the operating income of No. 1-2 Yangxi Facilities. The Acquisition has no significant impact on the Group's net asset value and debt ratio, and the operating capital expenditure has increased;
- (ii). The agreements signed between the counterparties and the Group have become more standardized, that is, transactions thereunder are conducted through fair bidding methods and rely on fair competition and independence; and
- (iii). As a leading independent flue gas treatment integrated services provider in the Chinese market and an integrated environmental protection company for independent flue gas treatment that is not controlled by any power group, the Company provides environmental protection services through various business models including environmental protection facility engineering, operation and maintenance and concession operations with cooperative business relationship with numerous service providers in power and non-power industry, including Yangxi Electric.

III. GENERAL INFORMATION

General Information of the Company, Beijing Boqi and Beijing Boqi Yangxi Branch

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, hazardous solid waste treatment and disposal, industrial water treatment, 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 main business includes providing services such as flue gas treatment, water treatment, hazardous solid waste treatment and disposal, as well as dual carbon new energy⁺ to large industrial and energy customers.

Beijing Boqi Yangxi Branch is a branch of Beijing Boqi, whose principal business includes technology development, technology transfer and technical services.

General Information of Guangdong Huaxia Electric and Yangxi Electric

Yangxi Electric, a limited liability company established in the PRC, is the major operating subsidiary of Guangdong Huaxia Electric, which mainly engaged in, among others, investment in electricity industry and has invested in a number of power plants in the PRC.

Guangdong Huaxia Electric is a limited liability company established in the PRC, which mainly engaged in, among others, investment in electricity industry. It has invested in a number of power plants in the PRC, with Yangxi Electric as its current major operating subsidiary. As of the date of this announcement, Guangdong Huaxia Electric is owned and controlled by, through various intermediaries, Mr. Zhu Yihang (朱一航).

IV. EGM AND CIRCULAR

The EGM will be convened for the purpose of considering and, if though fit, approve (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

As Mr. Zhu is deemed to have a material interest in the transactions under No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Mr. Zhu and his associate(s), who held an aggregate of 152,170,529 Shares, representing approximately 17.80% of the total issued Shares, as of the date of this announcement, shall abstain from voting on the relevant resolutions at the EGM.

Mr. Zhu, as a non-executive Director, was deemed to have a material interest in the transactions under No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, and had abstained from voting at the board meeting to approve (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

To the best of the Directors' knowledge, belief and having made all reasonable enquiries, as of the date of this announcement, save for disclosed above, no Director or Shareholder was or will be required to abstain from voting on the Board or Shareholders resolutions, as the case may be, for (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

Independent Board Committee

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan, has been formed to advise the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

Independent Financial Adviser

Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges.

Shareholders' Circular

A circular containing, among other matters, (i) further details of No. 7-8 Yangxi Facilities EPC Contract; (ii) further details of No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement (including the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges); (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 8 August 2025, as additional time is required to finalise certain information to be included in the circular.

V. LISTING RULES IMPLICATIONS

As of the date of this announcement, Yangxi Electric is a wholly-owned subsidiary of Guangdong Huaxia Electric, which is owned and controlled by, through various intermediaries, Mr. Zhu Yihang (朱一航). Mr. Zhu Yihang is a brother and thus, an associate of Mr. Zhu, who is a non-executive Director and substantial Shareholder. Mr. Zhu and his associate(s) held an aggregate of 152,170,529 Shares, representing approximately 17.80% of the total issued Shares, as of the date of this announcement. Yangxi Electric and Guangdong Huaxia Electric are deemed to be connected persons of the Company under Chapter 14A of the Listing Rules. As such, No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio in respect of No. 7-8 Yangxi Facilities EPC Contract exceeds 5%, the transactions under No. 7-8 Yangxi Facilities EPC Contract are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, since (i) No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement; (ii) 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are entered into by the Group with the same party or parties who are connected with one another within a 12-month period, and (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are of a similar nature, the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall be aggregated, and the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service and (ii) No. 3-4 Yangxi Facilities O&M Operation shall be aggregated.

As the highest applicable percentage ratio on an aggregated basis in respect of the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges exceeds 5%, (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. DEFINITIONS

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

“2020 Supplemental Agreement”	the agreement entered into among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 30 November 2020, pursuant to which the parties agreed to amend and supplement certain terms in relation to the pricing terms for the provision of O&M services and the ancillary charges in accordance with the market-based pricing mechanism, further details of which are set out in the Company’s announcement dated 30 November 2020 and circular dated 8 December 2020
“2023 Supplemental Agreement”	the agreement entered into among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 27 October 2023, pursuant to which the parties agreed to amend and supplement certain terms contemplated under the Yangxi Agreements
“Acquisition”	the acquisition of No. 1-2 Yangxi Facilities (except for land) by Beijing Boqi from Yangxi Electric pursuant to No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, which has been completed as of 5 February 2024
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Beijing Boqi”	Beijing Boqi Electric Power SCI-TECH Co., Ltd.* (北京博奇電力科技有限公司), a wholly-owned subsidiary of the Company
“Beijing Boqi Yangxi Branch”	Yangxi Branch of Beijing Boqi Electric Power SCI-TECH Co., Ltd.* (北京博奇電力科技有限公司陽西分公司), a branch of Beijing Boqi
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which banks in the PRC generally are open for business
“CCTs”	No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance

“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
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company for the Independent Shareholders to consider and, if thought fit, approve (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges
“EPC”	engineering, procurement and construction
“Existing Annual Caps for Ancillary Charges”	the existing annual caps for the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; and (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2025
“Existing Annual Caps for Service Fees”	the existing annual caps for the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) No. 3-4 Yangxi Facilities O&M Operation; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the three years ending 31 December 2025
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to (i) the transactions (including the proposed annual caps) contemplated under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges
“Group”	the Company and its subsidiaries
“Guangdong Huaxia Electric”	Guangdong Huaxia Electric Development Co., Ltd.* (廣東華廈電力發展有限公司), a limited liability company established in the PRC on 11 November 2003, a company ultimately owned and controlled by the brother of Mr. Zhu

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan, which has been formed to advise the Independent Shareholders in respect of (i) the transactions (including the proposed annual caps) under No. 7-8 Yangxi Facilities EPC Contract; and (ii) the Proposed Annual Caps for Service Fees and the Proposed Annual Caps for Ancillary Charges
“Independent Shareholders”	Shareholders other than Mr. Zhu and his associates and those who has a material interest in the transactions under No. 7-8 Yangxi Facilities EPC Contract, No. 1-2 Yangxi Facilities Operation Service, No. 3-4 Yangxi Facilities O&M Operation, No. 5-6 Yangxi Facilities Maintenance Service Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement or are otherwise required to abstain from voting on the resolutions at the EGM
“kWh”	kilowatt hours
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Main Board”	the Main Board of the Stock Exchange
“Mr. Zhu”	朱偉航(ZHU Weihang), a non-executive Director and substantial Shareholder
“No. 1-2 Yangxi Facilities”	No. 1-2 desulfurization and denitrification facilities owned by Beijing Boqi upon the completion of the Acquisition
“No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement”	the agreement entered into among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 27 October 2023 in relation to, among others, the Acquisition and No. 1-2 Yangxi Facilities Operation Service
“No. 1-2 Yangxi Facilities Operation Service”	the operation service in relation to desulfurization and denitrification by utilising No. 1-2 Yangxi Facilities in accordance with No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement upon completion of the Acquisition
“No. 1-4 Yangxi Facilities”	No. 1-2 Yangxi Facilities and No. 3-4 Yangxi Facilities

“No. 1-6 Yangxi Facilities”	No. 1-4 supercritical coal-fired facilities and No. 5-6 ultrasupercritical coal-fired facilities owned by Yangxi Electric
“No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance”	maintenance of coal conveying system and dock system of No. 1-6 Yangxi Facilities in accordance with No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement
“No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement”	the agreement entered into between Yangxi Electric and Beijing Boqi Yangxi Branch on 29 December 2023 in relation to, among others, maintenance services for coal conveying system and dock system of No. 1-6 Yangxi Facilities
“No. 3-4 Yangxi Facilities”	No. 3-4 desulfurization and denitrification facilities owned by Yangxi Electric
“No. 3-4 Yangxi Facilities O&M Operation”	the O&M operation of No. 3-4 Yangxi Facilities in accordance with the Yangxi Agreements as further amended and supplemented by the 2023 Supplemental Agreement
“No. 5-6 Yangxi Facilities”	No. 5-6 desulfurization, denitrification and zero discharge of wastewater facilities owned by Yangxi Electric
“No. 5-6 Yangxi Facilities Maintenance Service”	maintenance service in accordance with No. 5-6 Yangxi Facilities Maintenance Service Agreement
“No. 5-6 Yangxi Facilities Maintenance Service Agreement”	the maintenance service agreement dated 25 January 2022 entered into between Beijing Boqi and Yangxi Electric in relation to the maintenance service in respect of No. 5-6 Yangxi Facilities to be provided by Beijing Boqi, and as supplemented by No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement
“No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement”	the supplemental agreement dated 29 December 2023 entered into between Beijing Boqi and Yangxi Electric to supplement No. 5-6 Yangxi Facilities Maintenance Service Agreement
“No. 7 Yangxi Facilities”	No. 7 desulfurization facilities to be owned by Yangxi Electric upon the completion of No. 7-8 Yangxi Facilities EPC Contract
“No. 8 Yangxi Facilities”	No. 8 desulfurization facilities to be owned by Yangxi Electric upon the completion of No. 7-8 Yangxi Facilities EPC Contract
“No. 7-8 Yangxi Facilities”	No. 7 Yangxi Facilities and No. 8 Yangxi Facilities

“No. 7-8 Yangxi Facilities EPC Contract”	an EPC contract to be entered into between Beijing Boqi and Yangxi Electric regarding the EPC of No. 7-8 Yangxi Facilities upon the approval by the Independent Shareholders at the EGM
“O&M”	operation and maintenance
“PPI”	producer price index
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Proposed Annual Caps for Ancillary Charges”	the proposed annual caps for the ancillary charges paid by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; and (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028
“Proposed Annual Caps for Service Fees”	the proposed annual caps for the service fees received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2028; (ii) No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2028; (iii) No. 5-6 Yangxi Facilities Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 August 2027; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the year ending 31 December 2026 and the period from 1 January 2027 to 31 July 2027, respectively
“Prospectus”	the prospectus of the Company dated 28 February 2018
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holders of the Share(s)
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder”	has the same meaning ascribed thereto under the Listing Rules

“Yangxi Agreements”

collectively, (i) the management service agreement entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 31 December 2016; (ii) the service pricing agreement entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 1 January 2017; (iii) the supplemental management service agreement entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 28 August 2017; (iv) the supplemental agreements entered into by Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric on 8 March 2018 and 20 July 2018; and (v) the 2020 Supplemental Agreement, pursuant to which Beijing Boqi shall provide O&M services in respect of No. 1-2 Yangxi Facilities and No. 3-4 Yangxi Facilities

“Yangxi Electric”

Yangxi Haibin Electric Power Development Co., Ltd.* (陽西海濱電力發展有限公司), a limited liability company established in the PRC on 5 February 2004, a wholly-owned subsidiary of Guangdong Huaxia Electric

“%”

percentage

** For identification purposes only*

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancy between totals and sums of individual amounts in this announcement are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

By order of the Board

China Boqi Environmental (Holding) Co., Ltd.

Zeng Zhijun

Chairman, Executive Director and Chief Executive Officer

Beijing, PRC, 26 June 2025

As of the date of this announcement, the executive directors of the Company are Mr. Zeng Zhijun, Mr. Liu Genyu and Ms. Qian Xiaoning; the non-executive directors of the Company are Mr. Zheng Tony Tuo, Mr. Zhu Weihang and Mr. Chen Xue; and the independent non-executive directors of the Company are Dr. Xie Guozhong, Mr. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan.