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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)

**FURTHER SUPPLEMENTAL AGREEMENTS IN RELATION TO
ACQUISITION OF THE TARGET COMPANY**

References are made to the Announcements of the Company in relation to the acquisition of the Target Company. Unless otherwise defined herein, capitalized terms shall have the same meanings as given to them in the Announcements.

BACKGROUND

As disclosed in the Announcements:

- i. on 30 November 2021, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Sellers entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Sellers agreed to sell, the entire issued share capital of the Target Company at a total consideration of RMB230.0 million; and
- ii. on 16 December 2021, the Purchaser, the Sellers and the Following Co-investor entered into the Supplemental Agreement, pursuant to which (i) the Purchaser shall purchase an aggregate of 95% of the equity interests in the Target Company for a total consideration of RMB218.5 million; (ii) the Following Co-investor shall purchase an aggregate of 5% of the equity interests in the Target Company for a total consideration of RMB11.5 million; and (iii) payment terms stated in the Share Transfer Agreement shall be amended on a pro rata basis with payment schedule remained unchanged.

As at the date of this announcement, the First Tranche of Completion was completed and a total of 67% of the equity interests in the Target Company has been transferred to the Purchaser and the Following Co-investor. Accordingly, as of the date of this announcement, the Target Company is owned by the Purchaser as to 63.65%, the Following Co-investor as to 3.35%, Seller A as to 27.06% and Seller B as to 5.94%.

(I) SELLER A SUPPLEMENTAL AGREEMENT

The Board hereby announces that on 2 December 2022, the Purchaser, the Following Co-investor, Seller A, Mr. Yang and the Target Company entered into the Seller A Supplemental Agreement to amend and supplement certain terms of the Share Transfer Agreement in relation to the acquisition of equity interests in the Target Company held by Seller A. Major terms of the Seller A Supplemental Agreement are set out as follows:

Date: 2 December 2022

Parties:

- (1) The Purchaser
- (2) The Following Co-investor
- (3) Seller A
- (4) Mr. Yang
- (5) The Target Company

Adjusted Seller A Consideration: Pursuant to the Seller A Supplemental Agreement, the total consideration for the acquisition of a total of 82% of the equity interests in the Target Company by the Purchaser and the Following Co-investor from Seller A shall be adjusted to approximately RMB41.4 million. As such, the Adjusted Seller A Consideration from the Purchaser and the Following Co-investor shall be RMB38.9 million and RMB2.5 million, respectively. Upon execution of the Seller A Supplemental Agreement, the Adjusted Seller A Consideration shall be deemed to be fully settled.

As at the date of this announcement, the Purchaser and the Following Co-investor had already paid in accordance with the Share Transfer Agreement a total of approximately RMB66.0 million to Seller A, which exceeded the Adjusted Seller A Consideration by approximately RMB24.6 million (the “**Seller A Difference**”). According to the Seller A Supplemental Agreement, the Seller A Difference shall be used to settle other payables due from the Target Company to Seller A and Suzhou Yiheyi. Pursuant to the Seller A Supplemental Agreement, other payables due from the Target Company to Seller A and Suzhou Yiheyi amounted to RMB29.7 million and RMB1.0 million, respectively. The other payables represented loans provided by Seller A and Suzhou Yiheyi to the Target Company.

After the deducting the Seller A Difference, the aggregate outstanding amount of other payables due from the Target Company to Seller A and Suzhou Yiheyi will be RMB6.1 million (the “**Outstanding Other Payables**”). Such Outstanding Other Payables shall be settled in cash by bank transfer to Seller A and Suzhou Yiheyi in four equal installments within 12 months from the date of the Revised Seller A Completion, with each installment of approximately RMB1.5 million.

**Revised Seller A
Completion:**

Seller A and Mr. Yang shall procure and provide assistance to complete the transfer of the remaining 25.41% and 1.65% of the equity interests in the Target Company to the Purchaser and the Following Co-Investor, respectively, before 31 December 2022.

**Other material changes to
terms of the Share
Transfer Agreement:**

The parties also agreed that:

1. Seller A and Mr. Yang shall be released from the Profit Guarantee upon the Revised Seller A Completion;
2. Seller A and Mr. Yang shall provide necessary assistance and cooperation in response to any future inspection by the government authorities, and Seller A and Mr. Yang shall compensate the Target Company in case Seller A and Mr. Yang refused to cooperate; and
3. Seller A and Mr. Yang and their respective controlled companies shall not engage in, carry on or invest in the same or similar business as the Target Company or in business which compete with the Target Company. Upon the Revised Seller A Completion, Mr. Yang shall cease to hold any directorship and management position in the Target Company and shall not interfere with or influence the operation of the Target Company and shall not solicit any employees of the Target Company to leave employment with the Target Company or offer employment opportunities to them without the consent of the Target Company. Seller A and Mr. Yang shall compensate the Target Company an amount which is equivalent to ten times of any loss caused.

(II) SELLER B SUPPLEMENTAL AGREEMENT

The Board hereby announces that on 2 December 2022, the Purchaser, Seller B and the Target Company entered into the Seller B Supplemental Agreement to amend and supplement certain terms of the Share Transfer Agreement in relation to the acquisition of equity interests in the Target Company held by Seller B. Major terms of the Seller B Supplemental Agreement are set out as follows:

Date: 2 December 2022

Parties B:

- (1) The Purchaser
- (2) Seller B
- (3) The Target Company

**Adjusted Seller B
Sale Shares**

Pursuant to the Share Transfer Agreement, Seller B shall sell and the Purchaser shall acquire from Seller B 18% of the equity interests in the Target Company. As at the date of this announcement, and immediately prior to the Revised Completion, Seller B held 5.94% of the equity interests in the Target Company.

Pursuant to the Seller B Supplemental Agreement, among the remaining 5.94% equity interests in the Target Company held by Seller B, Seller B shall transfer 2.94% of the equity interests in the Target Company to the Purchaser and retain 3% of the equity interests in the Target Company. As such, the total equity interest in the Target Company to be acquired by the Purchaser from Seller B shall be 15%.

Accordingly, upon the Revised Completion, the Target Company will be held as to (i) 92% by the Purchaser; (ii) 5% by the Following Co-investor; and (iii) 3% by Seller B.

**Adjusted Seller B
Consideration**

Based on the Adjusted Consideration and the Adjusted Seller B Sale Shares, pursuant to the Seller B Supplemental Agreement, the total consideration for the acquisition of a total of 15% of the equity interests of the Target Company from Seller B shall be adjusted to approximately RMB7.6 million.

As at the date of this announcement, the Purchaser had already paid in accordance with the Share Transfer Agreement a total of approximately RMB14.5 million to Seller B, which exceeded the Adjusted Seller B Consideration by approximately RMB6.9 million (the “**Seller B Difference**”). The Seller B Difference shall be settled by Seller B with his continuous provision of services to the Target Company, including business and project development.

Revised Seller B Completion: Seller B shall procure and provide assistance to complete the transfer of the remaining of 2.94% of the equity interests in the Target Company to the Purchaser before 31 December 2022.

Other material changes to terms of the Share Transfer Agreement

The parties also agreed that

1. Seller B shall be released from the Profit Guarantee upon the Revised Seller B Completion;
2. Seller B shall provide necessary assistance and cooperation in response to any future inspection by the government authorities, and Seller B shall compensate the Target Company in case Seller B refused to cooperate; and
3. Seller B and his respective controlled companies shall not engage in, carry on or invest in the same or similar business as the Target Company or in business which compete with the Target Company, or interfere with Target Company's operation through third parties. Seller B may continue to hold the supervisor position and other management positions, and participate in the management of the Target Company.

Saved as disclosed above, other material terms and conditions of the Share Transfer Agreement and the Supplemental Agreement shall remain unchanged and continue to be in full force and effect in all respects.

Basis for the Further Supplemental Agreements and the Adjusted Consideration

Pursuant to the Further Supplemental Agreements, the total consideration for the entire equity interests of the Target Company shall be adjusted from the Original Consideration of RMB230.0 million to the Adjusted Consideration of RMB50.5 million. The Adjusted Consideration was determined by the parties after arm's length negotiation with reference to the valuation prepared by China Alliance, an independent third-party valuer, based on income approach and the unaudited consolidated management accounts of the Target Company for the six months ended 30 June 2022.

The valuation

The Group engaged China Alliance, an independent asset valuation company established in the PRC to assess and determine the Valuation, being the market value of the entire interest in the Target Company as at 30 June 2022. The Valuation has been undertaken on the basis of market value under the premises of going concern. Market value refers to the estimated value of the valuation subject in normal and fair transactions on the valuation benchmark date when the willing buyer and the willing seller act rationally and without any coercion and going concern refers to the fact that the operation activities of the valuation subject will continue at its current state and will not undergo material changes in the foreseeable future.

Pursuant to the Valuation Report dated 10 October 2022 prepared by China Alliance, China Alliance considered the (i) income approach and (ii) market approach in assessing the Valuation. The income approach refers to the approach in which the expected income of the valuation subject shall be capitalized or discounted so as to determine the value of the valuation subject. The market approach refers to the approach in which the valuation subject shall be compared with comparable listed companies or comparable transactions so as to determine the value of the valuation subject.

Given that the Valuation adopted, among others, income approach involving the use of discounted cash flows, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Pursuant to the Valuation Report, details of the principal assumptions including commercial assumptions are set out as follows:

1. General assumptions:
 - a. it is assumed that all assets to be valued are already in the process of transaction, the assets are valued by the Valuer in a simulated market based on the terms of the transaction; and
 - b. it is assumed that all assets traded or to be traded are conducted in an open market, where the buyers and sellers are on an equal footing with equal time and opportunity to gain sufficient access to market information for them to make rational judgment about the function and use of the assets and their transaction price, etc.
2. Specific assumptions
 - a. it is assumed that the Valuation is being conducted for the purposes of the Acquisition;
 - b. it is assumed that there are no material changes to the relevant laws and regulations and macroeconomic conditions in the PRC, and it is also assumed that there are no unforeseen material changes in the external economic environment such as interest rates, exchange rates, taxation bases and rates, and policy levies;
 - c. it is assumed that future management of the Target Company will act diligently, and the existing management model, scope of business, and business model will remain consistent with the current direction;
 - d. it is assumed that the assets to be valued will continue to be utilized in the present manner and for the same purpose and extent, the assets will not be valued in its optimal settings;
 - e. it is assumed that based on the existing management level and management style, the Target Company has no other force majeure events or unforeseeable factors causing material adverse impact on the Target Company;
 - f. it is assumed that the relevant basic and financial information provided by the Target Company and the Purchaser is true, accurate and complete;
 - g. it is assumed that all financial reports and transaction data of the comparable companies which the Valuer relied upon are true and reliable;
 - h. it is assumed that the scope of the Valuation is based on the list of assets provided by the Purchaser and the Target Company, without taking into account the contingent assets and contingent liabilities that may exist outside of the said list;

- i. it is assumed that the current management team of Target Company remains unchanged;
- j. it is assumed that the Target Company evenly receives net cash flow in each financial year;
- k. the Target Company has commenced operation since it has obtained the Hazardous Waste Operation Permit on 21 September 2019. The said permit is valid from 15 September 2020 to 14 September 2025, with an approved operation scale of 90,000 tons per year. It is assumed that the Target Company will be able to renew the said permit in 2025 when it expires;
- l. Pursuant to and from the date of the issuance of “Opinions of the General Office of the People’s Government of Qinghai Province on Strengthened Environmental Supervision on Strict Prohibition of Cross-Province Movement of Hazardous Waste for Disposal (《青海省人民政府辦公廳關於嚴禁危險廢物跨省轉入處置進一步強化環境監管的意見》), the following catalogues of waste are strictly prohibited from being moved into the Qinghai province: (i) hazardous waste that is not renewable and will be simply disposed of by incineration or landfill; (ii) highly hazardous waste or waste or with unknow hazard properties; and (iii) hazardous waste with high environmental risks, low comprehensive utilization rate and hazardous waste with no proper disposal plan for secondary waste generated after utilisation. The Valuation assumes that no out-of-province business will be incurred by the Target Company in the future; and
- m. The Target Company enjoys absolute tax exemption for the first three years and a 50% reduction for the next three years during the period from 2019 to 2024, and the corporate tax rate is projected to be 25% in 2025.

Pursuant to the Valuation Report, China Alliance considered the (i) income approach and (ii) market approach in assessing the Valuation. Although necessary adjustments have been made to the comparable companies during the valuation process, but there were still uncertainties or factors that are difficult to adjust and are unique to the comparable companies, such as intangible assets, contingent liabilities and business segment specialisation, which pose a risk of causing the appraised value to deviate from the actual value. On the other hand, the Valuer considered that since the Target Company is expected to achieve profitability in the future, the value of the Target Company can be reflected from the income approach, which considers not only on- and off-book assets, but also customer resources accumulated by the enterprise, the management level and other factors that have a significant impact on profitability. After reviewing the Target Company’s financial conditions, historical performance, and future earnings estimates, and taking into account the purpose of the Valuation, the Valuer considered that the income approach is a more appropriate and suitable Valuation approach to accurately reflect the market value of the entire equity interest of the Target Company.

Based on the income approach and the abovementioned underlying assumptions, the Valuer concluded that the valuation was RMB53.2 million, with the value appreciation rate of 34.19%. The Valuation of the Target Company is roughly the same as the Adjusted Consideration of RMB50.5 million and higher than the Adjusted Consideration by a difference of RMB2.7 million.

During discussion with China Alliance and after reviewing the Valuation Report, the Board did not identify any major factors which would cause us to doubt the fairness and reasonableness of the methodology, and the underlying assumptions adopted for the Valuation. Based on the abovementioned, the Board was of the view that the relevant bases, assumptions and valuation methodologies regarding the Valuation are comparable to the market practice and satisfied that the Valuation was fair and reasonable taking into account the circumstances of the Target Company.

Confirmation

Ernst & Young, acting as the reporting accountants of the Company, has reviewed and reported to the Directors in respect of the arithmetical accuracy of the calculations of the forecast in connection with the valuation of the Target Companies prepared by the Valuer used in the Valuation Report. The Directors are solely responsible for the assumptions described above and the work performed by Ernst & Young did not include any assessment of the reasonableness or validity of the assumptions. The calculations of forecast do not involve the adoption of accounting policies.

The Directors confirm that the Valuation, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry.

A report from Ernst & Young in compliance with Rule 14.62(2) of the Listing Rules is included in Appendix I to this announcement and a letter from the Board in compliance with Rule 14.62(3) of the Listing Rules is included in Appendix II to this announcement.

Experts and consents

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
China Alliance	Professional valuer
Ernst & Young	Certified Public Accountants, Hong Kong

As at the date of this announcement, each of the above experts does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group. To the best of the Directors' knowledge, information and belief, China Alliance and Ernst & Young are independent third parties.

Up to the date of this announcement, each of the above experts has given and has not withdrawn its written consent to the inclusion of its report or letter in this announcement and the references to its name and qualification in the form and context in which they are included.

The Further Supplemental Agreements were entered into by the respective parties after arm's length negotiations having considered (i) the recent regulatory developments and landscape of the industry and the province which the Target Company operates in; (ii) the present operating environment and future prospects of the Target Company; (iii) specific assumptions adopted for the valuation of the entire interest in the Target Company as at 30 June 2021 and ; (iv) the Valuation Report and the unaudited consolidated management accounts of the Target Company for the six months ended 30 June 2022. Further details of the recent regulatory developments, present operating environment and future prospects of the Target Company are set out in the section headed "Reasons for and Benefits of the Further Supplemental Agreements" below.

REASONS FOR AND BENEFITS OF THE FURTHER SUPPLEMENTAL AGREEMENTS

On 12 July 2022, Opinions on Strengthening Environmental Supervision on Strict Prohibition of Cross-Province Hazardous Waste Transfer for Disposal (《關於嚴禁危險廢物跨省轉入處置進一步強化環境監管的意見》) was issued by the Qinghai Province People's Government, which strictly prohibits any cross-province transfer of non-recyclable and hazardous waste for incineration and landfill disposal.

In light of the recent regulatory developments, the Board is of view that the operating environment and the future development prospects of the Target Company have been substantially impacted by the increasingly stringent regulatory environment and landscape on cross-province transfer of hazardous waste in the Qinghai Province. After further taken into consideration of the business operations and financial performance of the Target Company in 2021 and in the first half of 2022, the Board considered that the Original Consideration of RMB230.0 million for the entire equity interests in the Target Company has significantly deviated from the fair present value of the Target Company, and the specific assumptions adopted for the valuation of the entire interest in the Target Company as at 30 June 2021 had changed significantly. As such, the parties agreed to re-negotiate the terms of the Acquisition amicably to reflect the aforementioned significant changes and enter into the Further Supplemental Agreements to revise the Original Consideration to the Adjusted Consideration, which is considered to be more commercially justifiable.

Having considered the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Further Supplemental Agreements and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms of the Further Supplemental Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE PURCHASER AND THE GROUP

The Purchaser was established in the PRC with limited liabilities and is an indirectly wholly-owned subsidiary of the Company. The Purchaser is mainly engaged in environmental protection facilities engineering, operation and maintenance services.

The Company is incorporated in the Cayman Islands with limited liabilities and is an investment holding company. The Group is mainly engaged in providing comprehensive and professional environmental management services to large industrial and energy customers, including flue gas treatment, water treatment, hazardous solid waste treatment and disposal, and energy for "dual carbon" goals, etc.

INFORMATION OF THE TARGET COMPANY AND COUNTERPARTIES

The Target Company is a limited liability company established in the PRC on 7 August 2018. As of the date of this announcement and immediately before the Revised Completion, the Target Company is owned by the Purchaser as to 63.65%, the Following Co-investor as to 3.35%, Seller A as to 27.06% and Seller B as to 5.94%. The Target Company was an insignificant subsidiary of the Company under Rule 14A.09(1) of the Listing Rules for the year ended 31 December 2021 and thus, Seller A was not considered as a connected person of the Company under the Listing Rules.

The Target Company is principally engaged in solid hazardous waste management business, particularly, in the collection, stabilization and disposal of solid hazardous and dangerous wastes.

Set out below is the net profit (both before and after tax) of the Target Company for the years ended 31 December 2020 and 2021 according to the audited accounts of the Target Company:

	Year ended 31 December	
	2020	2021
	<i>RMB' million</i>	<i>RMB' million</i>
Net profit before tax	51.0	19.1
Net profit after tax	51.0	19.5

As at 30 June 2022, according to the unaudited management accounts of the Target Company, the Target Company had net assets of RMB39.6 million.

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

Seller B, Liu Ang (劉昂) is a PRC citizen residing in Suzhou, Jiangsu Province.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for the transactions under the Share Transfer Agreement which were pending completion, each of the Sellers and its/his ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the Listing Rules.

LISTING RULES IMPLICATIONS

This announcement is made by the Company pursuant to Rule 14.36 of the Listing Rules to provide its shareholders and potential investors with updates on the Acquisition. As the Further Supplemental Agreements were both entered into to amend the terms of the Share Transfer Agreement in relation to the acquisition of equity interests in the Target Company, the transactions contemplated under the Further Supplemental Agreements shall be subjected to aggregation under Rule 14.22 of the Listing Rule.

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

DEFINITIONS

Unless otherwise defined herein, capitalized terms shall have the same meanings as given to them in the Announcements. In addition, the following terms shall have the meanings set out below in this announcement:

“Adjusted Consideration”	the adjusted consideration for the acquisition of the entire equity interests in the Target Company, being RMB50.5 million
“Adjusted Seller A Consideration”	the adjusted consideration for the acquisition of a total of 82% of the equity interests in the Target Company by the Purchaser and the Following Co-investor from Seller A, being approximately RMB41.4 million
“Adjusted Seller B Consideration”	the adjusted consideration for the acquisition of a total of 15% of the equity interests in the Target Company by the Purchaser from Seller B, being approximately RMB7.6 million
“Adjusted Seller B Sale Shares”	the adjusted total equity interests in the Target Company to be acquired by the Purchaser from Seller B, being 15%
“Announcements”	the Company’s announcements dated 30 November 2021, 28 February 2022 and 25 March 2022 in relation to the acquisition of the Target Company
“China Alliance” or the “Valuer”	China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司), an independent asset valuation company established in the PRC
“Company”	China Boqi Environmental (Holding) Co., Ltd., a company incorporated in Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange
“Further Supplemental Agreements”	collectively, Seller A Supplemental Agreement and Seller B Supplemental Agreement
“Mr. Yang”	Mr. Yang Huijun
“Original Consideration”	the original consideration for the entire equity interests in the Target Company as per the Share Transfer Agreement, being RMB230.0 million
“PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to “PRC” do not apply to Taiwan, Macau and Hong Kong
“Revised Completion”	collectively, Revised Seller A Completion and Revised Seller B Completion

“Revised Seller A Completion”	the completion of transfer of the remaining 25.41% and 1.65% of the equity interests in the Target Company from Seller A to the Purchaser and the Following Co-Investor, respectively, before 31 December 2022
“Revised Seller B Completion”	the completion of transfer of the remaining 2.94% of the equity interests in the Target Company from Seller B to the Purchaser before 31 December 2022
“Seller A Supplemental Agreement”	a supplemental agreement dated 2 December 2022 entered into among the Purchaser, the Following Co-investor, Seller A, Mr. Yang and the Target Company to amend and supplement certain terms of the Share Transfer Agreement in relation to the acquisition of equity interests in the Target Company held by Seller A
“Seller B Supplemental Agreement”	a supplemental agreement dated 2 December 2022 entered into among the Purchaser, Seller B and the Target Company to amend and supplement certain terms of the Share Transfer Agreement in relation to the acquisition of equity interests in the Target Company held by Seller B
“Suzhou Yiheyi”	Suzhou Yiheyi Mortar Technology Co., Ltd.* (蘇州宜和益砂漿科技有限公司), which is a company established in the PRC and as of the date of this announcement, held as to 80% by Mr. Yang
“Target Company”	Qinghai Boqi Ecological Environmental Technology Co., Ltd.* (青海博奇生態環境科技有限公司) (formerly known as Haixi Jingze Environmental Protection Technology Co., Ltd.* (海西景澤環保科技有限公司)), which is a company established in the PRC and as of the date of this announcement, held as to 63.65% by the Purchaser, 3.35% by the Following Co-investor, 27.06% by Seller A and 5.94% by Seller B
“Valuation”	the valuation of the market value of the entire interest in the Target Company as at 30 June 2022
“Valuation Report”	the valuation report issued by China Alliance on 10 October 2022, in respect of the Valuation of the market value of the entire equity interest in the Target Company as at 30 June 2022

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

Beijing, the PRC, 2 December 2022

As at the date of this announcement, the executive Directors are Mr. Zeng Zhijun and Mr. Cheng Liqun Richard; the non-executive Directors are Mr. Zheng Tony Tuo, Mr. Zhu Weihang and Mr. Chen Xue; and the independent non-executive Directors are Mr. Liu Genyu, Dr. Xie Guozhong and Mr. Lu Zhifang.

* For identification purposes only

APPENDIX I – REPORT FROM ERNST & YOUNG

REPORT FROM REPORTING ACCOUNTANTS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN QINGHAI BOQI ECOLOGICAL ENVIRONMENTAL TECHNOLOGY CO., LTD.

To the Directors of China Boqi Environmental (Holding) Co., Ltd.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 10 October 2022 prepared by China Alliance Appraisal Co., Ltd. in respect of Qinghai Boqi Ecological Environmental Technology Co., Ltd. (the “**Target Company**”, formerly known as “Haixi Jingze Environmental Protection Technology Co., Ltd.”) as at 30 June 2022 is based. The valuation is set out in the announcement of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**”) dated 2 December 2022 (the “**Announcement**”) in connection with the acquisition of the Target Company. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “The valuation” of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target Company. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young

Certified Public Accountants

Hong Kong

27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong

2 December 2022

APPENDIX II – LETTER FROM THE BOARD

2 December 2022

Listing Division
The Stock Exchange of Hong Kong Limited
12/F Two Exchange Square
8 Connaught Place, Central Hong Kong

Dear Sirs,

We refer to the supplemental announcement of the Company dated 2 December 2022 in relation to the Acquisition of the entire equity interest of the Target Company (the “**Announcement**”). Capitalized terms used in this letter shall have the same meanings as those defined in the Announcement unless stated otherwise.

Reference is made to the Valuation Report dated 10 October 2022 issued by China Alliance, an independent valuer, in relation to the valuation of the entire interest in the Target Company as at 30 June 2022. As the Valuation adopted, among others, the earning value method which involves the use of discounted cash flows, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer about different aspects including the bases and assumption based on which the Valuation has been prepared, and reviewed the Valuation for which the Valuer is responsible. We have also considered the report from the auditors of the Company, Ernst & Young, regarding whether the discounted future estimated cash flows, so far as the calculation are concerned, were properly complied, in all material respects, in accordance with the assumption as set out in the Valuation Report.

Pursuant to the requirement of Rule 14.62(3) of the Listing Rules, the Board confirms that the Valuation prepared by the Valuer has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board of Directors of
China Boqi Environmental (Holding) Co., Ltd.
Zeng Zhijun
Chairman, Executive Director and Chief Executive Officer