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China Boqi Environmental (Holding) Co., Ltd.

中國博奇環保（控股）有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE YUGUANG BOT FACILITIES

HIGHLIGHT

In May 2015, Beijing Boqi and Shanxi Yuguang entered into the BOT Agreement pursuant to which, among others, Beijing Boqi shall invest, design and construct the Yuguang BOT Project and operate, maintain and manage the Yuguang BOT Facilities and receive income that was calculated with reference to ultra-low emission electricity prices for a concession period of 20 years. Since 2018, the Group has been undergoing strategic business transformation and optimization of the structure of its self-owned assets. For projects with unsatisfactory profits or losses, the Group would adjust terms of settlement or negotiate with the counter-party for repurchase of assets. With respect to the Yuguang BOT Project, in around end of 2019, Beijing Boqi and Shanxi Yuguang commenced a series of business negotiations and worked towards the smooth transition from concession operations to O&M operations and repurchase of the Yuguang BOT Facilities by Shanxi Yuguang. On 30 December 2022, Beijing Boqi and Shanxi Yuguang entered into the Termination Agreement pursuant to which, among others, Shanxi Yuguang agreed to purchase and Beijing Boqi agreed to sell the Yuguang BOT Facilities by consideration of approximately RMB50.7 million (tax excluded).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements of the Listing Rules.

INTRODUCTION

In May 2015, Beijing Boqi and Shanxi Yuguang entered into the BOT Agreement pursuant to which, among others, Beijing Boqi shall invest, design and construct the Yuguang BOT Project and operate, maintain and manage the Yuguang BOT Facilities and receive income that was calculated with reference to ultra-low emission electricity prices for a concession period of 20 years. Since 2018, the Group has been undergoing strategic business transformation and optimization of the structure of its self-owned assets. For projects with unsatisfactory profits or losses, the Group would adjust terms of settlement or negotiate with the counter-party for repurchase of assets. With respect to the Yuguang BOT Project, in around end of 2019, Beijing Boqi and Shanxi Yuguang commenced a series of business negotiations and worked towards the smooth transition from concession operations to O&M operations and repurchase of the Yuguang BOT Facilities by Shanxi Yuguang. On 30 December 2022, Beijing Boqi and Shanxi Yuguang entered into the Termination Agreement pursuant to which, among others, Shanxi Yuguang agreed to purchase and Beijing Boqi agreed to sell the Yuguang BOT Facilities by consideration of approximately RMB50.7 million (tax excluded).

THE TERMINATION AGREEMENT

Principal terms of the Termination Agreement are set out as follows:

- Date:** 30 December 2022
- Parties:** Beijing Boqi (as seller)
Shanxi Yuguang (as purchaser)
- Subject matter:** Shanxi Yuguang shall purchase and Beijing Boqi shall sell the Yuguang BOT Facilities and the BOT Agreement shall be terminated
- Consideration and basis:** Approximately RMB50.7 million (tax excluded), which was determined by the parties after arm's length negotiation with reference to (i) the asset value of the Yuguang BOT Facilities of approximately RMB50.7 million (tax excluded) as at 30 November 2021 appraised by an independent valuer; and (ii) the book value of the Yuguang BOT Facilities of approximately RMB53.4 million (tax excluded) as at 30 November 2021 pursuant to the audited report issued by an independent auditor
- Payment terms:** Shanxi Yuguang shall pay the consideration to Beijing Boqi as follows:
- (i) 40% of consideration by 28 February 2023;
 - (ii) 30% of consideration by 30 April 2023; and
 - (iii) 30% of consideration by 30 June 2023.

FINANCIAL INFORMATION OF THE YUGUANG BOT FACILITIES

Based on the unaudited financial information of Shangyin Branch of Beijing Boqi, the unaudited profit before and after tax attributable to the Yuguang BOT Facilities (i.e. profit arising from the Yuguang BOT Facilities as a result of concession operations by the Group) for the two years ended 31 December 2021 was as follows:

	Year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	5,946.6	2,947.5
Profit after tax	5,775.9	2,867.8

As at 30 November 2022, the unaudited book value of the Yuguang BOT Facilities was approximately RMB53.2 million.

FINANCIAL EFFECTS AND REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group has been monitoring the performance of the Yuguang BOT Project under the BOT Agreement. In 2018 and 2019, the Yuguang BOT Project incurred loss. In view of the Company and the Shareholders' interests as a whole and to avoid incurring further operating losses, the Group started business negotiation with Shanxi Yuguang to adjust the terms of settlement and repurchase the Yuguang BOT Facilities in around end of 2019. In September 2021, the parties reached a preliminary consensus that Shanxi Yuguang will repurchase the Yuguang BOT Facilities and entered into an O&M service agreement with a term of around two years. Since then, the operation model of the Yuguang BOT Facilities changed from concession operations to O&M operations. With the completion of the audit and valuation work by independent third-parties, on 30 December 2022, Beijing Boqi and Shanxi Yuguang finally entered into the Termination Agreement after arm's length negotiation.

As a result of the Disposal, the Group is expected to recognise a loss of approximately RMB2.4 million, being the difference between the proceeds received from the Disposal after deducting transaction costs and the face value of the Yuguang BOT Facilities. It is intended that the net proceeds from the Disposal will be applied as general working capital of the Group. For the avoidance of doubt, the income/loss to be recognised in the consolidated statement of profit or loss and other comprehensive income of the Group as a result of the Disposal will be subject to final audit to be performed by the Company's auditors.

In light of the above, the Directors are of the view that the terms of the Disposal are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

INFORMATION OF BEIJING BOQI, THE COMPANY AND THE GROUP

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

The Company was 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 SHANXI YUGUANG

Shanxi Yuguang was established in the PRC with limited liabilities and is mainly engaged in electricity, heat production and supply. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Shanxi Yuguang and the ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

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DEFINITIONS

Unless the context requires otherwise, the following terms shall have the following meanings:

“Beijing Boqi”	Beijing Boqi Electric Power SCI-TECH Co., Ltd. (北京博奇電力科技有限公司), a limited liability established in the PRC and an indirectly wholly-owned subsidiary of the Company
“Board”	the board of Directors
“BOT”	build-operate-transfer
“BOT Agreement”	a BOT agreement entered into between Beijing Boqi and Shanxi Yuguang in May 2015 in relation to the Yuguang BOT Project
“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 issued Shares of which are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Yuguang BOT Facilities for the consideration of approximately RMB50.7 million (tax excluded)
“Group”	collectively, the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“O&M”	operation and maintenance
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanxi Yuguang”	Shanxi Yuguang Power Generation Co., Ltd. (山西昱光發電有限責任公司), a limited liability established in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Termination Agreement”	a termination agreement entered into between Beijing Boqi and Shanxi Yuguang on 30 December 2022 in relation to the termination of the BOT Agreement and the repurchase of the Yuguang BOT Facilities by Shanxi Yuguang
“Yuguang BOT Facilities”	2X300MW unit environmental protection facilities owned by Beijing Boqi before the Disposal
“Yuguang BOT Project”	the project regarding the engineering, procurement and construction of denitrification, desulfurization and dust removal upgrade on ultra-low emissions of flue gas contemplated under the BOT Agreement

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

Beijing, the PRC, 30 December 2022

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