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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
ACQUISITION OF 51% OF THE EQUITY INTEREST
IN THE TARGET COMPANY**

The Board hereby announces that, on 12 May 2023, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, 51% of the equity interest of the Target Company at a total consideration of RMB11.26 million. The Target Company is a company incorporated in the PRC specializing in operation of distributed photovoltaic investment.

Upon completion of the Equity Transfer Agreement, 51% of the equity interest of the Target Company shall be held by the Purchaser and therefore the Target Company shall become a non-wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes 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.

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THE EQUITY TRANSFER AGREEMENT

The major terms of the Equity Transfer Agreement are set out below:

Date

12 May 2023

Parties

- (1) The Purchaser; and
- (2) The Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is a third party independent of the Company and its connected persons as defined under the Listing Rules.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Vendor shall sell, and the Purchaser shall acquire 51% of the equity interest in the Target Company (the “**Target Equity**”). Upon completion of the Equity Transfer Agreement, 51% of the equity interest of the Target Company shall be held by the Purchaser and therefore the Target Company shall become a non-wholly-owned subsidiary of the Company.

Consideration and Payment Terms

Upon satisfaction of the conditions precedent (as set out in the paragraph headed “Conditions Precedent” below), the Consideration of RMB11.26 million shall be settled in the following manner:

- (1) 50% of the Consideration (i.e. RMB5.63 million, the “**First Tranche of Consideration**”) shall be paid within 20 Business Days after the signing of the Equity Transfer Agreement and the satisfaction or (where applicable) the waiver of the conditions precedents as set out in the paragraph headed “Conditions Precedent” in this announcement. The change of business registration of the Equity Transfer shall be completed within 15 Business Days after payment of the First Tranche of Consideration; and
- (2) the remaining 50% of the Consideration (i.e. RMB5.63 million) shall be paid within 20 Business Days after the completion of the change of business registration of the Equity Transfer and the transfer of assets.

Basis of the Consideration

The Consideration was determined based on arm’s length negotiations between the Vendor and the Purchaser with reference to, among other things, (i) the projects undertaken and to be undertaken by the Target Company in the distributed photovoltaic market and the estimated construction costs thereof; and (ii) the financial position of the Target Company.

Conditions Precedent

Unless otherwise waived by the Purchaser in writing, the payment of the First Tranche of Consideration is conditional upon the following conditions precedent being satisfied:

- (1) the procedures for the release of the pledge of the distributed photovoltaic projects under the Project Companies having been completed;
- (2) the Vendor and the Purchaser having completed all required internal and external approval procedures in respect of the Equity Transfer;
- (3) the Target Company having obtained necessary approval and consent, including but not limited to approval by the shareholders' meeting and/or board resolution in accordance with its articles of association;
- (4) the Purchaser having completed its due diligence (including but not limited to legal, financial and business due diligence) and assets valuation of the Target Company, and all problems and defects identified from the due diligence and assets valuation having been confirmed by the Vendor in form of a list, and resolved or been undertaken by the Vendor to resolve in a mutually agreed manner;
- (5) the Vendor and its beneficial owners having undertaken that the representations and warranties under the Equity Transfer Agreement are true, accurate and complete;
- (6) the Vendor and its beneficial owners having undertaken the any information provided to the Purchaser's accountants, valuer and legal service providers is true, accurate, complete, without any material omissions and concealments and contains no misleading statements;
- (7) the distributed photovoltaic projects and related assets under the Project Companies are put into normal operation. Save for the asset pledge of two projects, there is no pledge of any assets in the Target Company;
- (8) there shall be no material change in the industry and policies in which the Target Company operates and no material change in its property structure and status, operation conditions, financial position, management and human resources;
- (9) the Target Company having completed all relevant procedures for its projects. There shall be no potential safety hazards of major safety production accidents and no events or circumstances that may have a major adverse impact on the Target Company and/or the Project Companies;
- (10) as of the date of the Equity Transfer Agreement, the Target Company having discharged its tax liabilities and any surcharge for overdue tax payments, and for any outstanding payments, the Vendor shall undertake to settle it within a predetermined time and hand over the relevant tax certificates to the Purchaser for confirmation; and
- (11) the Acquisition having satisfied the relevant laws and regulations.

Save for the conditions precedent (4), (7) and (9) above, the rest of the conditions precedent above are not waivable by the Purchasers.

Target Profit Guarantee

Pursuant to the Equity Transfer Agreement, the Vendor guarantees to the Purchaser that the net profit before tax of the Target Company for the period from 15 February 2023 to 31 December 2023, the year ended 31 December 2024 and the year ended 31 December 2025 (the “**Guarantee Period**”) shall be no less than RMB2.50 million, RMB4.13 million and RMB4.07 million, respectively (the “**Target Profit Guarantee**”).

If the Target Company fails to satisfy the Target Profit Guarantee, the shortfall shall be made up by the Vendor in cash within 30 days of the issuance of the accountants’ report for the relevant financial year. If the actual net profit before tax for the Guarantee Period exceeds the Target Profit Guarantee, the excess shall be shared proportionally between the Purchaser and the Vendor on a 3:7 basis.

It was also agreed between the Purchaser and the Vendor that, if the actual net profit before tax for the Guarantee Period is within the range of 95% to 105% of the Target Profit Guarantee, the Target Profit Guarantee shall be deemed to be satisfied, therefore no shortfall shall be made up and no excess shall be shared.

During the Guarantee Period, if significant changes in the operating situation of the Target Company (except for the changes in national policies) results in a serious deviation of the net profit before tax from the Target Profit Guarantee (i.e. more than 20%), the Purchaser has the right to require the Vendor to buy-back the Target Equity at the following price:

$$\text{Buy-back price} = \text{Consideration} \times (1 + 10\% \times n^{\text{Note 1}}) - \text{Dividends}^{\text{Note 2}}$$

Notes:

1. *n = number of days from the date of payment of the First Tranche of Consideration to the date of repurchase/365*
2. *Dividends mean dividends obtained by the Purchaser during the period when the Purchaser holds the Target Equity.*

Special Undertakings

- (1) **Debt treatment:** The construction fees payable by the Target Company for its projects shall be firstly settled by bank loans, which are expected to cover over 90% of the aforementioned payable construction fees. The shortfall will be settled by the Purchaser and the Vendor’s capital contributions to the registered capital of the Target Company to the Target Company.
- (2) **Non-competition:** the Vendor warrants to the Purchaser that the Vendor and its subsidiaries (the “**Vendor’s Group**”) shall not directly or indirectly engage in, operate or invest in businesses that are the same as or similar to those of the Target Company which constitute competition (the “**Competing Business**”). The Vendor’s Group shall not intervene in the Competing Business through third parties. If opportunities of the Competing Business are discovered, the Vendor shall introduce and facilitate the Target Company to take over, and the Target Company shall give the Vendor appropriate rewards. If the Vendor violates the aforementioned non-competition undertaking, the Purchaser shall have the right to claim compensation from the Vendor based on 5 times the average annual market profit of the Competing Business with reference to the filling or actual installed capacity of the Competing Business.

INFORMATION OF THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 15 September 2021 and is wholly-owned by the Vendor as at the date of this announcement and immediately before the completion of the Acquisition. The Target Company is principally engaged in operation of distributed photovoltaic power generation projects, which currently operates three project companies with a total of 20 MW of distributed power generation projects.

Set out below is the net profit (both before and after tax) of the Target Company for the years ended 31 December 2021 and 31 December 2022 according to the unaudited financial information of the Target Company:

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before tax	N/A	523.6
Net profit after tax	N/A	523.6

The unaudited book value of the net assets of the Target Company as at 15 February 2023 was RMB23.6 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Under the guidance of the national policies of “Carbon Peaking and Carbon Neutrality”, the Company positions the two fields of “environmental governance and new energy+ (regeneration)”, and gradually realizes the new development layout of integrated business comprising four segments relating to flue gas, industrial water, hazardous solid waste and dual-carbon new energy+. In order to accelerate the layout of the new energy business, the Acquisition of the distributed photovoltaic projects is an important step in the Company’s “new energy+” strategic direction.

INFORMATION OF THE PURCHASER

The Purchaser is incorporated in the PRC with limited liabilities and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in environmental protection facilities engineering, operation and maintenance services.

INFORMATION OF THE VENDOR

The Vendor is incorporated in the PRC with limited liabilities and is principally engaged in the production and sales of power equipment, environmental protection equipment, pressure vessels, non-standard metal structures, etc.

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Acquisition”	the acquisition of 51% of the equity interest of the Target Company
“Board”	the board of Directors
“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
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition under the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the transfer of 51% of the equity interest of the Target Company from the Vendor to the Purchaser
“Equity Transfer Agreement”	the equity transfer agreement dated 12 May 2023 and entered into between the Vendor and the Purchaser in respect of the Acquisition
“Group”	collectively, the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Project Companies”	the project companies wholly-owned by the Target Company, namely Wuxi Huaxin Energy Development Co., Ltd. (無錫華鑫能源開發有限公司), Zhongxie Power Energy Wuxi Co., Ltd. (中協電力能源無錫有限公司) and Wuxi Huadong No.2 Smart Energy Co., Ltd. (無錫華東二號智慧能源有限公司)
“Purchaser”	Beijing Boqi Electronic Power SCITECH Co, Ltd (北京博奇電力科技有限公司), a company incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company” Wuxi Huadong No.1 Smart Energy Co., Ltd. (無錫華東壹號智慧能源有限公司), a company incorporated under the laws of the PRC

“Vendor” Wuxi Huadong Electric Power Equipment Co., Ltd. (無錫市華東電力設備有限公司), a company incorporated under the laws of the PRC and holding the whole equity interest of the Target Company immediately before the completion of the Acquisition

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

Beijing, the PRC, 12 May 2023

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