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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) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO NO. 1-2 YANGXI FACILITIES OPERATION SERVICE UNDER NO. 1-2 YANGXI FACILITIES ASSET TRANSFER OF DESULFURIZATION AND DENITRIFICATION PROJECTS AGREEMENT;
AND
(II) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
(A) 2023 SUPPLEMENTAL AGREEMENT;
(B) SUPPLEMENTAL AGREEMENT TO NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT;
AND
(C) NO. 1-6 YANGXI FACILITIES COAL CONVEYING SYSTEM AND DOCK SYSTEM MAINTENANCE SERVICE AGREEMENT**

Independent Financial Adviser



DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION AND CONTINUING CONNECTED TRANSACTION IN RELATION TO NO. 1-2 YANGXI FACILITIES OPERATION SERVICE UNDER NO. 1-2 YANGXI FACILITIES ASSET TRANSFER OF DESULFURIZATION AND DENITRIFICATION PROJECTS AGREEMENT

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 approximately RMB154.26 million (excluding tax, being RMB174.31 million with tax included).

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.

2023 SUPPLEMENTAL AGREEMENT

On 27 October 2023, after arm’s length negotiation among the parties, 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.

SUPPLEMENTAL AGREEMENT TO NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE AGREEMENT

Beijing Boqi Yangxi Branch shall enter into No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement with Yangxi Electric to amend the total service fee upon the approval by the Independent Shareholders at the EGM.

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

Beijing Boqi Yangxi Branch shall enter into No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement with Yangxi Electric upon the approval by the Independent Shareholders at the EGM, pursuant to which Beijing Boqi agreed to provide operation and maintenance services of coal conveying system and dock system for No. 1-6 Yangxi Facilities with amount of service fee of approximately RMB84.9 million.

PROPOSED ANNUAL CAPS

Proposed Annual Caps for service fees

The aggregated Proposed Annual Caps for the service fee received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (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 expected not to exceed RMB262.7 million, RMB322.4 million and RMB322.4 million respectively, for the three years ending 31 December 2025.

Proposed Annual Caps for ancillary charges

The aggregated Proposed Annual Caps for the ancillary charges paid by 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 RMB81.5 million, RMB90.6 million and RMB90.6 million respectively, for the three years ending 31 December 2025.

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 15.13% of the total issued Shares, as at 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, the Acquisition constitutes a connected transaction of the Company and each of No. 1-2 Yangxi Facilities Operation Service, 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 constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company and is 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 Supplemental 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 within a 12-month period and (i) No. 1-2 Yangxi Facilities Operation Service; (ii) the 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are of similar nature, the service fee received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) the 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall be aggregated and ancillary charges paid by Group under (i) No. 1-2 Yangxi Facilities Operation Service and (ii) No. 3-4 Yangxi Facilities O&M Operation shall be aggregated.

As one or more of the applicable percentage ratios in respect of Proposed Annual Caps exceeds 5%, No. 1-2 Yangxi Facilities Operation Service, 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 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the 2023 Supplemental Agreement constitutes a material change to the terms of Yangxi Agreements, pursuant to Rule 14A.54 of the Listing Rules, the 2023 Supplemental Agreement is subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. Therefore, the Company has engaged Gram Capital to explain the reasons for longer periods required for the terms of the Yangxi Agreements, No. 1-2 Yangxi Facilities Operation Service, the 2023 Supplemental Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement and to confirm that it is normal business practice for an agreement of this type to be of such duration.

A circular containing, among other matters, (i) further details 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 Supplemental Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement and transactions contemplated thereunder (including the Proposed Annual Caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 30 November 2023, as additional time is required to finalise certain information to be included in the circular.

BACKGROUND

Reference is made to (i) the sections headed “Connected Transactions” and “Waivers from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance” of the Prospectus and the Company’s announcement dated 30 November 2020 and circular dated 8 December 2020 in respect of, among other things, continuing connected transactions under the Yangxi Agreements; and (ii) the Company’s announcement dated 25 January 2022 in respect of, among other things, continuing connected transaction under No. 5-6 Yangxi Facilities Maintenance Service Agreement.

NO. 1-2 YANGXI FACILITIES ASSET TRANSFER OF DESULFURIZATION AND DENITRIFICATION PROJECTS AGREEMENT

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. Major terms of No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement are set out below:

- Date: 27 October 2023
- Parties: Beijing Boqi (as purchaser and operation service provider)
Guangdong Huaxia Electric (as site owner)
Yangxi Electric (as site owner and vendor)
- Subject matter: (i) Beijing Boqi shall acquire from Yangxi Electric No. 1-2 Yangxi Facilities (except for land)
- (ii) Upon completion of the Acquisition (i.e., as set out in subparagraph (i) above), 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 be responsible for the operation, maintenance, and management of the acquired assets
- Effect: No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement shall become established after signing and sealing among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric and become effective on the day of approval by the Independent Shareholders at the EGM.

(1) Acquisition of No. 1-2 Yangxi Facilities

Consideration and basis for the Acquisition: Approximately RMB154.26 million (excluding tax, being RMB174.31 million with tax included), which was determined by the parties after arm's length negotiation with reference to the asset value of No. 1-2 Yangxi Facilities of approximately RMB159.03 million (excluding tax) as at 30 September 2023 appraised by an independent valuer.

Payment terms for the Acquisition: Beijing Boqi shall pay the consideration in respect of the Acquisition in the following manner:

- (i) 50% of the consideration or approximately RMB87.15 million (including tax) will be settled by cash within 15 Business Days after the date of the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement; and
- (ii) the remaining 50% of the consideration or approximately RMB87.15 million (including tax) will be settled within 15 Business Days after the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement becomes effective.

In the event that the No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement cannot become effective, Yangxi Electric shall refund all previously settled consideration within 15 Business Days after receiving the written notice from Beijing Boqi.

Completion for the Acquisition: Completion shall take place when Yangxi Electric receives the entire consideration and completes the asset delivery procedures in accordance with No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement. Upon completion, Beijing Boqi shall own all the rights and interest (except for land) in No. 1-2 Yangxi Facilities.

Future disposal arrangement: If Beijing Boqi intends to dispose No. 1-2 Yangxi Facilities after completion of the Acquisition, it must obtain the written consent of Yangxi Electric.

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

Term for No. 1-2 Yangxi Facilities Operation Service: No. 1-2 Yangxi Facilities Operation Service shall have a term until 31 December 2039.

Scope of No. 1-2 Yangxi Facilities Operation Service: Beijing Boqi shall be responsible for operation service of No. 1-2 Yangxi Facilities, scope of which shall include (among others):

- (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, and 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:

The service fees in respect of No. 1-2 Yangxi Facilities Operation Service are calculated 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. 1-2 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).

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 No. 1-4 facilities 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 or No. 1-4 facilities based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount only of up to 10% 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 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.

Historical figures:

Since the Group and Yangxi Electric had not entered into similar transactions in respect of No. 1-2 Yangxi Facilities Operation Service in the past, no historical transaction figure is available.

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: Since the Group and Yangxi Electric had not entered into similar transactions in respect of No. 1-2 Yangxi Facilities Operation Service in the past, no historical transaction figure is available.

2023 SUPPLEMENTAL AGREEMENT

On 27 October 2023, after arm's length negotiation among the parties, 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

Effect: The 2023 Supplemental Agreement shall become established after signing and sealing among Beijing Boqi, Guangdong Huaxia Electric and Yangxi Electric and become effective on the day of approval by the Independent Shareholders at the EGM.

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; and (ii) to extend the No. 3-4 Yangxi Facilities O&M Operation to 31 December 2028.

Revised service fees: On the premise of the 2023 Supplemental Agreement becoming effective, the pricing terms will be adjusted (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; 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 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 No. 1-4 Yangxi Facilities 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 No. 1-4 Yangxi Facilities based on its annual audit report, Beijing Boqi shall be entitled to the “floating” adjustment in the form of discount only of up to 10% 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 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 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.

Historical figures and annual caps: The following table sets forth the transaction amounts and annual caps in relation to O&M service fees of No. 1-4 Yangxi Facilities under the Yangxi Agreements with Guangdong Huaxia Electric and Yangxi Electric for the three years ended 31 December 2022:

For the year ended 31 December	Transaction amounts (RMB'million)	Annual caps (RMB'million)
2020	121.34	302.30
2021	184.44	189.31
2022	178.21	189.31

Save as disclosed above, all other terms of the Yangxi Agreements shall remain unchanged.

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 transaction amounts and annual caps in relation to ancillary charges of No. 1-4 Yangxi Facilities under the Yangxi Agreements with Guangdong Huaxia Electric and Yangxi Electric for the three years ended 31 December 2022:

For the year ended 31 December	Transaction amounts (RMB'million)	Annual caps (RMB'million)
2020	47.99	103.63
2021	59.82	65.27
2022	60.19	65.27

NO. 5-6 YANGXI FACILITIES MAINTENANCE SERVICE SUPPLEMENTAL AGREEMENT

Beijing Boqi Yangxi Branch shall enter into the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement with Yangxi Electric to amend the total service fee upon the approval by the Independent Shareholders at the EGM. Major terms of the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement are summarised below:

- Parties: Beijing Boqi Yangxi Branch
Yangxi Electric
- Subject matter: To revise the total service fee so as to cover (i) the projects of which the individual project price does not exceed RMB50,000; and (ii) the projects of which the individual project price exceeds RMB50,000 but less than RMB100,000.
- For projects of which the individual project price exceeds RMB100,000, Yangxi Electric will undergo separate tender process to seek service providers.
- Effect: No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement shall become established and effective after signing and sealing among Beijing Boqi Yangxi Branch and Yangxi Electric.
- As disclosed above, Beijing Boqi Yangxi Branch shall enter into the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement with Yangxi Electric upon the approval by the Independent Shareholders at the EGM.
- Revised service fee: Subject to adjustment that may be made in accordance with the No. 5-6 Yangxi Facilities Maintenance Service Agreement, the total service fee is increased from RMB33,920,000 to RMB35,920,000.
- Historical figures and annual caps: No similar transactions had been entered into prior to the No. 5-6 Yangxi Facilities Maintenance Service Agreement. The historical transaction amounts and annual caps under the No. 5-6 Yangxi Facilities Maintenance Service Agreement since the entering into the No. 5-6 Yangxi Facilities Maintenance Service Agreement and to 31 December 2022 and for the six months ended 30 June 2023 are set out below.

Period	Transaction amounts (RMB'million)	Annual caps (RMB'million)
From 25 January 2022 ^{Note} to 31 December 2022	5.34	5.90
For the six months ended 30 June 2023	2.94	5.90

Note: being the date of No. 5-6 Yangxi Facilities Maintenance Service Agreement

Save as disclosed above, all other terms of the No. 5-6 Yangxi Facilities Maintenance Service Agreement shall remain unchanged.

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

Beijing Boqi Yangxi Branch shall enter into No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement with Yangxi Electric upon the approval by the Independent Shareholders at the EGM. 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: 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.
- In the event that the standard of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance fails to pass the assessment by Yangxi Electric in a particular stage, No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall be automatically terminated after completion of that stage without proceeding to the next stage.
- 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 the No. 1-6 Yangxi Facilities by Beijing Boqi
- Effect: No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall become established and effective after signing and sealing among Beijing Boqi Yangxi Branch and Yangxi Electric.

As disclosed above, Beijing Boqi Yangxi Branch shall enter into No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement with Yangxi Electric upon the approval by the Independent Shareholders at the EGM.

Service fee:

Subject to adjustment that may be made in accordance with the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, 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 (Note 1)	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 Yangxi Facilities (Note 2)	155,119.86 per month	40 months	6,204,794.40 (subject to actual costs incurred)
2.2.	Additional projects fee (Note 3)	Nil	Nil	2,000,000.00 (subject to actual costs incurred)
3.	Adjustment of labor costs for routine maintenance in the third stage between 1 June 2025 and 31 July 2027 (Note 4)	Nil	Nil	2,749,905.00 (subject to adjustment mechanism stated below)
	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 Yangxi 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 exceeds 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 was determined based on requirements set out in the tendering document, which is applicable to all service providers participated in the tendering process.

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 the 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 (i.e. from 1 June 2025 to 31 July 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. 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);

The adjustment ratio of the labor cost

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

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 the 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.

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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

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

If Beijing Boqi Yangxi Branch fails to comply with the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, Yangxi Electric has the right to unilaterally terminate the 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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Historical figures and annual caps: Since the Group and Yangxi Electric had not entered into similar transactions in respect of No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance in the past, no historical transaction figure is available.

PROPOSED ANNUAL CAPS

Proposed Annual Caps for service fees

The aggregated Proposed Annual Caps for the service fee received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (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 expected not to exceed RMB262.7 million, RMB322.4 million and RMB322.4 million respectively, for the three years ending 31 December 2025. Such annual caps 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:

No. 1-2 Yangxi Facilities Operation Service

The details of the aggregate expected service fees from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2025 are set out below.

(i) Desulfurization and denitrification subsidies

The expected service fees in respect of desulfurization and denitrification subsidies from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2025 are determined after having considered:

- (a) Approximately 5,900 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					
	2017	2018	2019	2020	2021	2022
Annual on-grid electricity generation generated by No. 1-2 Yangxi power generating units (million kWh)	4,672	6,252	4,999	3,374	4,764	3,245

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; and
- (c) assuming Beijing Boqi will be entitled to the maximum “floating” premium of 10%.

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

Since the Group and Yangxi Electric had not entered into similar transactions in respect of No. 1-2 Yangxi Facilities Operation Service in the past, no historical transaction figure is available.

The expected service fees in respect of “ultra-low emission” operation service fees from No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2025 are determined after having considered the market rates and a prudent view that the transaction amounts for upcoming years shall be at a similar level.

The 2023 Supplemental Agreement

The details of the expected service fees under 2023 Supplemental Agreement including (i) the year ending 31 December 2023; and (ii) the two years ending 31 December 2025 are set out below.

(i) *Desulfurization and denitrification subsidies*

The expected service fees in respect of desulfurization and denitrification subsidies under 2023 Supplemental Agreement for the three years ending 31 December 2025 are determined after having considered:

- (a) Approximately 5,900 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 2025, 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					
	2017	2018	2019	2020	2021	2022
Annual on-grid electricity generation generated by No. 3-4 Yangxi power generating units (million kWh)	6,303	5,818	4,674	3,986	4,584	4,282

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; and

- (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.

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

No historical transaction figure is available for similar transactions in respect of “Ultra-low emission” operation service fees for No. 3-4 Yangxi Facilities.

The expected service fees 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 2025 are determined after having considered the market rates and a prudent view that the transaction amounts for upcoming years shall be at a similar level.

No. 5-6 Yangxi Facilities Maintenance Service Agreement

As a result of the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement, the Board considers that the annual caps under the No. 5-6 Yangxi Facilities Maintenance Service Agreement for the three years ending 31 December 2025 should be revised. The expected service fees under the Supplemental Agreement were determined by the Board after taking into account (i) the factors taken into account by the Board in determining the original annual caps under the No. 5-6 Yangxi Facilities Maintenance Service Agreement for the three years ending 31 December 2025; (ii) the historical transaction amounts under No. 5-6 Yangxi Facilities Maintenance Service Agreement; and (iii) the amended service fee pursuant to the Supplemental Agreement.

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

The expected service fees under the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement for the three years ending 31 December 2025 are determined after having considered:

- (i) the aggregate of:
 - (a) the fixed monthly routine maintenance fee as set out in the 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 the 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 the 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 between 1 June 2025 to 31 July 2027 as set out in the 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 the 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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Proposed Annual Caps for ancillary charges

The aggregated Proposed Annual Caps for the ancillary charges paid by 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 RMB81.5 million, RMB90.6 million and RMB90.6 million respectively, for the three years ending 31 December 2025.

No. 1-2 Yangxi Facilities Operation Service

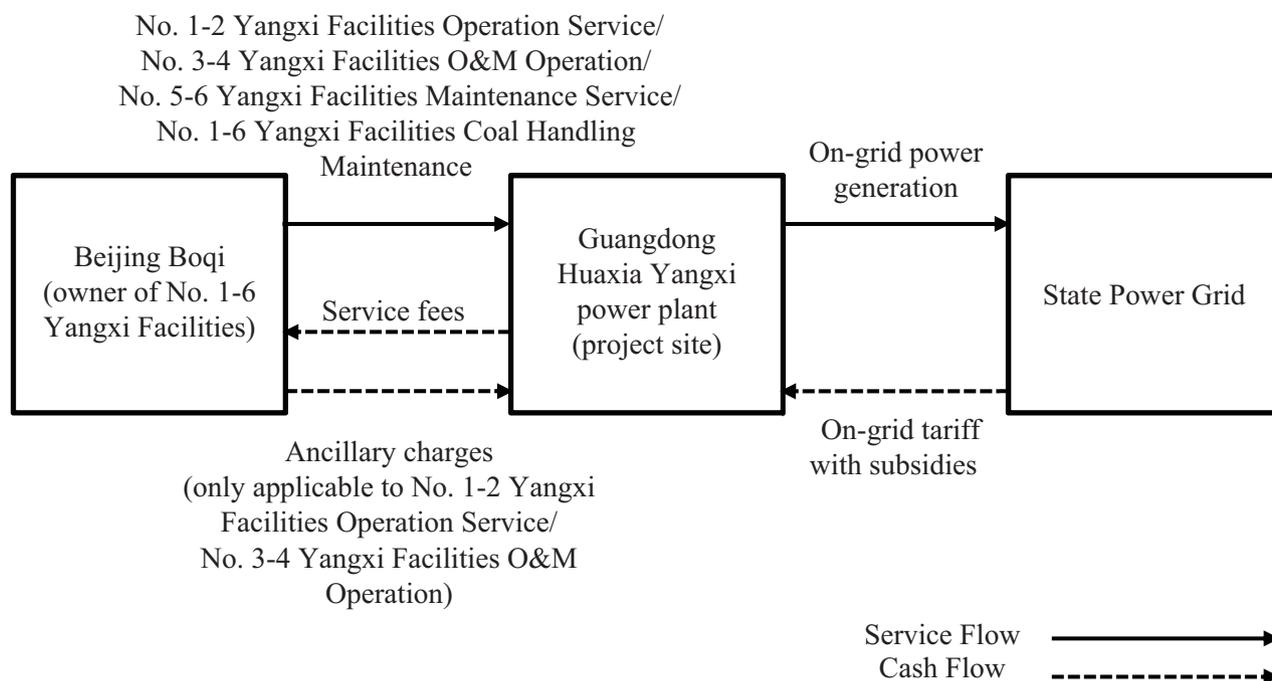
The expected ancillary charges to be incurred by No. 1-2 Yangxi Facilities Operation Service for the three years ending 31 December 2025 are determined with reference to (i) historical ancillary charges incurred by No. 1-4 Yangxi Facilities under O&M services as stated above; (ii) pricing mechanism for 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.

No. 3-4 Yangxi Facilities O&M Operation

The expected ancillary charges under No. 3-4 Yangxi Facilities O&M Operation for the three years ending 31 December 2025 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.

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 (excluding the independent non-executive 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 our 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 the No. 5-6 Yangxi Facilities Maintenance Service (including the adjustment provision for labor costs for routine maintenance for the 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 the 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 the 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.

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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance (including the adjustment provision for labor costs for routine maintenance for the No. 1-6 Yangxi Facilities in the third stage between 1 June 2025 and 31 July 2027) is fixed and will be paid in accordance with the terms stated in the 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 the 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.

In addition, the Company will endeavor to carry out adequate supervision over the total transaction amount under the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement against the relevant annual cap, 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 our 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.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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 the 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 having been already familiarized with the operations and facilities of Yangxi Electric as a result of provision of O&M services for Yangxi Facilities over the past years. 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 Supplemental 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 Supplemental 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 (excluding the independent non-executive Directors) are of the view that the consideration of the above factors in determining the proposed annual caps for (i) No. 1-2 Yangxi Facilities Operation Service; (ii) O&M services contemplated under the 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance under the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement, for the three years ending 31 December 2025 are prudent, fair and reasonable and in the interests of the shareholders as a whole.

GENERAL INFORMATION

About 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.

About 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. Guangdong Pearl River Investment Management Group Co., Ltd., which is controlled by Mr. Zhu Yihang (朱一航), is the ultimate beneficial owner of Guangdong Huaxia Electric and is primarily engaged in energy and infrastructure investment in China.

The EGM

The EGM will be convened for the purpose of considering and, if though fit, approve (i) No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement and transactions contemplated thereunder; (ii) the 2023 Supplemental Agreement and transactions contemplated thereunder; (iii) the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; (iv) the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement and transactions contemplated thereunder; and (v) the Proposed Annual Caps.

As Mr. Zhu is deemed to have a material interest in the transactions under No. 1-2 Yangxi Facilities Operation Service and the 2023 Supplemental Agreement with Guangdong Huaxia Electric and Yangxi Electric, the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement and the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement with Yangxi Electric, Mr. Zhu and his associate(s) shall abstain from voting on the relevant resolutions.

Independent Board Committee

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Xie Guozhong, Mr. Lu Zhifang, Prof. Yu Wayne W. and Ms. Zhang Fan, has been formed to advise the Independent Shareholders in respect of the transactions (including the Proposed Annual Caps) contemplated under 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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement.

Independent Financial Adviser

Gram Capital has been appointed to (A) advise the Independent Board Committee and the Independent Shareholders in respect of the transactions (including the Proposed Annual Caps) contemplated under 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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement; and (B) provide advice under Rule 14A.52 of the Listing Rules.

Shareholders' Circular

A circular containing, among other matters, (i) further details 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 Supplemental Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement and transactions contemplated thereunder (including the Proposed Annual Caps); (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or around 30 November 2023, as additional time is required to finalise certain information to be included in the circular.

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 15.13% of the total issued Shares, as at 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, the Acquisition constitutes a connected transaction of the Company and each of No. 1-2 Yangxi Facilities Operation Service, the 2023 Supplemental Agreement, No. 5-6 Yangxi Facilities Maintenance Service Agreement and the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable and connected transaction of the Company and is 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 Supplemental 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 within a 12-month period and (i) No. 1-2 Yangxi Facilities Operation Service; (ii) the 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement are of similar nature, the service fee received by the Group under (i) No. 1-2 Yangxi Facilities Operation Service; (ii) the 2023 Supplemental Agreement; (iii) No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; and (iv) No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement shall be aggregated and ancillary charges paid by Group under (i) No. 1-2 Yangxi Facilities Operation Service and (ii) No. 3-4 Yangxi Facilities O&M Operation shall be aggregated.

As one or more of the applicable percentage ratios in respect of Proposed Annual Caps exceeds 5%, the No. 1-2 Yangxi Facilities Operation Service, 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 are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the 2023 Supplemental Agreement constitutes a material change to the terms of Yangxi Agreements, pursuant to Rule 14A.54 of the Listing Rules, the 2023 Supplemental Agreement is subject to the announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. Therefore, the Company has engaged Gram Capital to explain the reasons for longer periods required for the terms of the Yangxi Agreements, No. 1-2 Yangxi Facilities Operation Service, the 2023 Supplemental Agreement and No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement and to confirm that it is normal business practice for an agreement of this type to be of such duration.

DEFINITIONS

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

“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 for the consideration of approximately RMB154.26 million (excluding tax, being RMB174.31 million with tax included)
“associate(s)”	shall have the meaning as ascribed to it 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 PRC generally are open for business
“Company”	China Boqi Environmental (Holding) Co., Ltd. (中國博奇環保(控股)有限公司), a company incorporated in Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning as described under Rule 14A.06(7) of the Listing Rules
“continuing connected transaction(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 1-2 Yangxi Facilities Agreement and transactions contemplated thereunder; (ii) the 2023 Supplemental Agreement and transactions contemplated thereunder; (iii) the No. 5-6 Yangxi Facilities Maintenance Service Supplemental Agreement; (iv) the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement and transactions contemplated thereunder; and (v) the Proposed Annual Caps
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to (A) advise the Independent Board Committee and the Independent Shareholders in respect of the transactions (including the Proposed Annual Caps) contemplated under 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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement; and (B) provide advice under Rule 14A.52 of the Listing Rules
“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 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, namely Dr. Xie Guozhong, Mr. Lu Zhifang, Prof. Yu Wayne W. and Ms. Zhang Fan, which has been formed by the Board to advise the Independent Shareholders in respect of the transactions (including the Proposed Annual Caps) contemplated under 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

“Independent Shareholders”	Shareholders other than Mr. Zhu and his associates and those who has a material interest in the transactions under No. 1-2 Yangxi Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement, the 2023 Supplemental Agreement, the No. 5-6 Yangxi Facilities Maintenance Service Supplemental 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 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”	No. 1-2 desulfurization and denitrification facilities owned by Yangxi Electric immediately prior to the completion of the Acquisition
“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. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement”	the agreement to be entered into between Yangxi Electric and Beijing Boqi Yangxi Branch in relation to, among others, maintenance services for coal conveying system and dock system
“No. 1-6 Yangxi Facilities”	No. 1-4 supercritical coal-fired facilities and No. 5-6 ultra-supercritical 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 the No. 1-6 Yangxi Facilities Coal Conveying System and Dock System Maintenance Service Agreement

“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 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, further details of which are set out in the Company’s announcement dated 25 January 2022, 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 to be entered into between Beijing Boqi and Yangxi Electric to supplement the No. 5-6 Yangxi Facilities Maintenance Service Agreement
“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”	the aggregate annual caps for the continuing connected transactions under (i) No. 1-2 Yangxi Facilities Operation Service; (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, for the three years ending 31 December 2025
“Prospectus”	the prospectus of the Company dated 28 February 2018
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holders of the Share(s)
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial Shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“Yangxi Agreements”	collectively, (i) the management service agreement entered into by Beijing Boqi and Guangdong Huaxia Electric and Yangxi Electric on 31 December 2016; (ii) the service pricing agreement entered into by Beijing Boqi and Guangdong Huaxia Electric and Yangxi Electric on 1 January 2017; (iii) the supplemental management service agreement entered into by Beijing Boqi and 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
“Yangxi Facilities”	No. 1-2 Yangxi Facilities, No. 3-4 Yangxi Facilities and No. 5-6 Yangxi Facilities
“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
“%”	percentage

* *For identification purposes only*

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

Beijing, PRC, 27 October 2023

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