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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)**

**ANNOUNCEMENT**

**DISCLOSEABLE TRANSACTION**

**THE AGREEMENT**

On 10 June 2019, Beijing Boqi (a wholly-owned subsidiary of the Company) entered into the Agreement to acquire a sewage treatment centre in Shanxi Lubao Industrial Park from the Vendors at a cash consideration of RMB300,000,000. The sewage treatment centre includes the sewage treatment facilities and equipment (excluding the land in relation to the sewage treatment centre) and is located in Lubao Industrial Park, Lucheng City, Shanxi Province for the purpose of treating sewage for the enterprises in Shanxi Lubao Industrial Park.

**LISTING RULES IMPLICATIONS**

As one or more of the percentage ratios applicable to the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the relevant reporting and announcement requirements under the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that on 10 June 2019, Beijing Boqi (a wholly-owned subsidiary of the Company) entered into the Agreement to acquire a sewage treatment centre (excluding the land in relation to the sewage treatment centre) from the Vendors. Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire the target assets and the Vendors have conditionally agreed to sell the target assets to the Purchaser (or a project company to be established by the Purchaser).

Major terms of the Agreement are set out below:

### **The Agreement**

Date: 10 June 2019

Parties: (i) the Purchaser (Beijing Boqi); and  
(ii) the Vendors (Shanxi Lubao Xinghai New Material Co., Ltd. and Shanxi Lubao Group Coke & Chemical Co., Ltd.).

Cash Consideration: RMB300,000,000

### **The Target Assets to be Acquired**

The target assets is a sewage treatment centre (excluding the land in relation to the sewage treatment centre) with all facilities of the sewage treatment plant and all other facilities arising from the reconstruction, expansion and new construction to be carried out by the project company to be established by Beijing Boqi, in accordance with the Sewage Treatment Technology Agreement. In particular, the designed capacity of the wastewater (sewage) biological treatment unit, the wastewater (sewage) advanced treatment and recycling unit, and the reclaimed water and sewage recycling unit is 560 m<sup>3</sup>/h, 560 m<sup>3</sup>/h and 400 m<sup>3</sup>/h, respectively.

The target assets are located in Shanxi Lubao Industrial Park, Lucheng City, Shanxi Province for the purpose of treating sewage for the enterprises in Shanxi Lubao Industrial Park. According to the Asset Valuation Report, the appraised net asset value of the target assets is approximately RMB307,304,700 (inclusive of tax) as at 31 December 2018.

The Vendors undertake that the minimum guaranteed daily average sewage treatment capacity for the first calendar year (i.e. up to December 2019) and second calendar year (i.e. 2020) from the Closing Date (to be defined below) is 6,240 m<sup>3</sup> and 8,400 m<sup>3</sup>, respectively. Such capacities shall be determined by the parties before 31 December 2020 based on the actual operations, so as to ensure that the Purchaser enjoys the profits that would be received under the same market conditions and that the sewage treatment centre remains in operation after the Acquisition.

The Vendors and other enterprises in Shanxi Lubao Industrial Park whose shares are controlled by the Vendors shall pay the sewage treatment service fees to the Purchaser (or the project company to be established by the Purchaser) for the sewage treatment services provided by the target assets. The Vendors have obtained the relevant approval for the inspection and acceptance of the completed environmental protection facilities in relation to the target assets.

### **Conditions Precedent**

The Agreement is subject to, among others, the fulfilment of the following conditions precedent:

- (1) The professional parties engaged by the Purchaser have completed due diligence on the target assets, and have issued an audit report and an assessment report with respect to the target assets;
- (2) The Purchaser has obtained the necessary approvals and consents for the Acquisition;
- (3) The Vendors have obtained the necessary approvals and consents for the Acquisition;
- (4) The project company to be established by the Purchaser has obtained the land use right of the sewage treatment centre through open bidding, auction and listing;
- (5) The Vendors have obtained the approval issued by the relevant construction government departments in respect of the target assets, and shall be responsible for the relevant taxes and fines (if any) associated with the obtaining of such approval;
- (6) The Vendors or their affiliates have obtained the relevant qualifications for the disposal of hazardous waste, or their disposal or use of hazardous waste is not subject to the application for an operating permit for hazardous waste.

Upon the fulfillment of the above conditions precedent or where the Purchaser waived such conditions precedent in writing (such waiver of the Purchaser shall not preclude the Vendors from assuming any relevant responsibilities), the Vendors shall provide the supporting evidence in writing and issue a written notice to the Purchaser confirming that the Agreement has become effective.

### **Closing Arrangement**

After the Agreement has become effective, the parties shall promptly form an asset transfer team in charge of the closing matters. The following matters shall be completed before the first payment is made:

- (1) the Purchaser has received the relevant data and documents from the Vendors in respect of the target assets and its project and public facilities;
- (2) the asset transfer team shall complete asset stocktaking, confirmation of land use right and building ownership, operation handover and any other necessary preparatory work for the transfer of the target assets;

- (3) the payment methods for the sewage treatment service fees shall be agreed; and
- (4) the parties have complete the pre-asset transfer performance test within 30 days in accordance with the requirements of the Sewage Treatment Technology Agreement.

The aforementioned matters shall be completed within 45 days after the execution of the Agreement, save for any delay caused by reasons other than the Purchaser (or its project company).

### **Operational Test**

The parties shall conduct the operational test of the sewage treatment centre in accordance with the Sewage Treatment Technology Agreement (or the procedures and contents agreed by the relevant parties).

The operational test period of the sewage treatment centre will take place within 30 days after the first payment is paid. If the operational test of the said transfer cannot be completed as outlined in the Sewage Treatment Technology Agreement within the operational test period for any reason on the part of the Vendors, the parties can extend the operational test period but for a period of no more than 30 days. If the test is unable to be completed within the extended period, the parties shall negotiate for further arrangements to be made.

The operational test shall be completed within 180 days after the signing of the Agreement, save for delays caused by the Purchaser (or its newly established project company). Where the Acquisition is completed or a written waiver of the Purchaser has been obtained, the Vendors shall provide the supporting evidence in writing and issue a written notice to the Purchaser confirming that the closing arrangements of the Acquisition have been completed. The date on which such written notice is delivered to the Purchaser shall be the closing date of the Agreement (the “**Closing Date**”).

### **Consideration**

The consideration for the Acquisition at RMB300,000,000 was agreed by the Purchaser and Vendors with reference to the Asset Valuation Report. As at 31 December 2018, the appraised net asset value of the target assets was approximately RMB307,304,700 (inclusive of tax), and the net asset value (without tax) is RMB270,560,000. The consideration for the Acquisition is negotiated on an arm’s length basis after having considered the physical conditions of the target assets and the prospects of the sewage treatment industry in the PRC.

Please see below for the breakdown of the consideration for the target assets:

- |  |                               |
|--|-------------------------------|
| (1) Transfer price of equipment (tax included):                | approximately RMB181,670,000; |
| (2) Transfer price of structures and buildings (tax included): | approximately RMB118,330,000. |

## **Payment**

The consideration of the Acquisition shall be paid in cash in the following manner:

- (a) The first payment, which is RMB120,000,000 (representing 40% of the consideration), shall be paid within 15 days upon (i) the Agreement taking effect; (ii) completion of the abovementioned operational test (unless a waiver from Beijing Boqi is obtained); (iii) the fulfillment of the conditions precedent; and (iv) the Vendors issuing a value-added tax invoice for the corresponding payment to the Purchaser;
- (b) The second payment, which is RMB150,000,000 (representing 50% of the consideration), shall be paid within 15 days upon (i) the completion of the abovementioned closing arrangements; (ii) Beijing Boqi's new project company (to be established by the Purchaser) has completed all necessary qualification documents (unless a waiver from Beijing Boqi is obtained); and (iii) the Vendors issuing a value-added tax invoice for the corresponding payment to the Purchaser (or the new project company to be established by the Purchaser);
- (c) The remaining payment of RMB30,000,000 (representing 10% of the consideration), shall be paid by the Purchaser (or the new project company to be established by the Purchaser) within 360 days from the Closing Date which is subject to the necessary deduction (if any).

The Group intends to finance the consideration by bank borrowings and/or internal resources of the Group.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT**

The Board believes that the sewage treatment business in the industrial park is one of the new directions for the Company's future development. Such project will be in line with the Company's development strategy and operational structure adjustment needs and acts as an active accelerator for the Company's strategic transformation, new business layout, nurturing of new business performance growth areas, the enhancement of the Company's corporate profitability and its market value as a listed company on the Stock Exchange. As such, the Company's core competitiveness and comprehensive strength can thus be further improved.

In view of the fact that the sewage treatment centre is classified as the wastewater treatment of coal chemical business, which require application of advanced technology, and the entire business processing chain which include the wastewater biochemical treatment, the wastewater treatment and recycling device and reclaimed water and sewage recycling unit, the project can be presented as a better demonstration for the operation of other projects. The Board considers the Acquisition as a faster and easier way to foster the business development of the Group, which will in turn further strengthen the Group's sewage treatment technology and operational capabilities.

In view of the above reasons and benefits, the Directors consider that the Agreement (which was negotiated at arm's length basis) is entered in normal commercial terms and is fair and reasonable, and in the interests of our Company and our Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the percentage ratios applicable to the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the relevant reporting and announcement requirements under the Listing Rules.

## **INFORMATION OF THE PARTIES**

### **Information of the Company, Beijing Boqi**

The Company is a leading provider in the eco-environmental governance industry listed on the Main Board of the Stock Exchange. The Company provides customers with comprehensive air pollution control services such as flue gas desulfurization, denitrification and dust removal services. Meanwhile, the Company is also actively expanding its business operations into water pollution control, solid waste treatment and disposal, soil pollution remediation, energy conservation and environmental protection, and is committed to becoming a comprehensive environmental governance solutions and service provider group within the environmental protection industry.

Beijing Boqi, a limited liability company established in the PRC, is a wholly-owned subsidiary of the Company. It is a one-stop service provider of construction, operation and the maintenance of desulfurization, denitrification and dust removal facilities in the PRC and abroad.

### **Information of the Vendors**

Shanxi Lubao Group Coke & Chemical Co., Ltd., which is the controlling shareholder of Shanxi Lubao Xinghai New Material Co., Ltd., is the leading party in the investment and construction of Shanxi Lubao Industrial Park and possesses the world's first set of devices for producing caprolactam completely from coking benzene and is the leading coal-coke-chemical industrial chain in the coal-coke-chemical industry in the PRC. It has shareholdings in Shanxi Lu'an Environmental Energy Coal Coke Chemical Co., Ltd., Shanxi Lubao Group Jingang Zhaofeng Coal Chemical Co., Ltd., Shanxi Lubao Tiandi Clean Coal Co., Ltd., Shanxi Jiantao Lubao Chemical Co., Ltd. and other related coal chemical industry companies.

Shanxi Lubao Xinghai New Material Co., Ltd, is a limited liability company established in the PRC and possesses a project, which applies advanced sewerage treatment and recycling on waste water (sewage) from advanced coal coke chemical product materials processing (which is the sewage treatment centre of Shanxi Lubao Industrial Park). Leveraging the advantage in Lubao Group's coal coke chemical raw materials, it produces high value-added products by carrying out advanced processing on coal coke by-products. Its principal business scope is the production and sales of coal chemical, high-tech materials and its upstream and downstream products, as well as related technical consulting services.

To the best of the knowledge, information and belief of the Directors, the Vendors and their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## DEFINITIONS

In this announcement, the following terms have the following meanings unless the context requires otherwise:

|  |   |
|--|---|
| “Acquisition”                              | the acquisition of target assets in accordance with the terms and conditions of the Agreement   |
| “Agreement”                                | the agreement entered into between the Purchaser and the Vendors in relation to the Acquisition dated 10 June 2019  |
| “Asset Valuation Report”                   | the asset valuation report conducted by an independent third party on 30 April 2019 with respect to the target assets   |
| “Board”                                    | the board of directors of the Company   |
| “Company”                                  | China Boqi Environmental (Holding) Co., Ltd., a company incorporated in Cayman Islands with limited liability and its shares listed on the Main Board of the Stock Exchange   |
| “Connected Person(s)”                      | has the meaning ascribed to it under the Listing Rules  |
| “Directors”                                | the directors of the Company  |
| “Group”                                    | the Company and its subsidiaries  |
| “Hong Kong”                                | the Hong Kong Special Administrative Region of the PRC  |
| “Listing Rules”                            | the Rules Governing the Listing of Securities on the Stock Exchange   |
| “PRC”                                      | People’s Republic of China, for the purpose of this announcement, does not include Hong Kong, Macau Special Administrative Region and Taiwan  |
| “Purchaser” or<br>“Beijing Boqi”           | Beijing Boqi Electric Power SCI-TECH Co., Ltd., a wholly-owned subsidiary of the Company  |
| “Sewage Treatment<br>Technology Agreement” | the agreement entered into between the Purchaser and the Vendors on 26 March 2019 detailing the operational instructions and requirements of the sewage treatment facilities and equipment in the sewage treatment centre |
| “Shares”                                   | the ordinary shares of US\$0.00001 each in the issued share capital of the Company  |
| “Shareholders”                             | holders of the Shares   |

|                   |  |
|-------------------|--|
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited.   |
| “target assets”   | the sewage treatment centre in Shanxi Lubao Industrial Park  |
| “Vendors”         | Shanxi Lubao Xinghai New Material Co., Ltd.* (山西潞寶興海新材料有限公司) and Shanxi Lubao Group Coke & Chemical Co., Ltd.* (山西潞寶集團焦化有限公司)  |
| “m <sup>3</sup> ” | cubic metre  |
| “RMB”             | Renminbi, the lawful currency of the PRC   |
| *                 | <i>The English translation of the Chinese names set out in this announcement is for identification purpose only and should not be regarded as an official English translation of such names.</i> |

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

Hong Kong, 10 June 2019

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