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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)

SUPPLEMENTAL ANNOUNCEMENT CONTINUING CONNECTED TRANSACTION DEFERRAL OF THE COMPLETION OF THE CHONGQING CHUANWEI EPC CONTRACT

Reference is made to the announcement of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**”) dated 28 June 2022 regarding the continuing connected transactions under the Chongqing Chuanwei EPC Contract as a result of the Deferred Standard Compliance (the “**Announcement**”). Unless otherwise defined herein, capitalized terms shall have the same meaning as given to them in the Announcement.

ADDITIONAL INFORMATION ON BASIS FOR PRICING AND PAYMENT TERMS

As disclosed in the Announcement, the Directors expect that the transaction amount for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2022 as a result of the Deferred Standard Compliance will not exceed the annual cap of RMB10.1 million. The above cap was determined with reference to, among others, the technical service fee, construction and installation expenses, as well as other preliminary cost for the Deferred Standard Compliance and in accordance with the latest schedule of the Chongqing Chuanwei EPC Project, which amounted to approximately RMB9.2 million.

The pricing of the Chongqing Chuanwei EPC Contract is determined by negotiations between Chongqing Chuanwei and Beijing Boqi on an arm’s length basis with reference to the following factors:

1. the price of equipment and materials would be determined with reference to the historical purchase price of similar equipment and materials in other projects of the Group; if there is no data for reference, the direct cost would be determined through enquiry of prevailing market prices. With these basis, the estimated gross profit of the Group would be determined;
2. the construction and installation fee would be calculated based on the approximate fixed fee standard and the ancillary fee standard in the petrochemical industry;

3. other preliminary cost (including insurance, design fee, technical service and other fees) would be calculated based on the approximate fixed fee standard in the petrochemical industry. With these basis, the reasonable estimated gross profit would be determined; and
4. a ceiling on estimated contract value of the Chongqing Chuanwei EPC Project at RMB206 million as set by Chongqing Chuanwei in the tender documents.

Meanwhile, the contract price may be adjusted based on the following factors:

1. contract price may vary according to (i) ad hoc adjustments in the scope of work, (ii) changes in equipment models, and (iii) ad hoc requests of Chongqing Chuanwei;
2. technical service and other fees shall decrease by 5.5% at the time of final settlement;
3. the costs of equipment and materials and the construction and installation expenses shall decrease by 4% at the time of final settlement;
4. if there is a net balance between the actual construction and installation expenses and 96% of the corresponding approved one, Beijing Boqi is entitled to 80% of the cost savings; and
5. if there is a net balance between the actual costs of equipment and materials and 96% of the corresponding approved one, Beijing Boqi is entitled to 90% of the cost savings.

Pursuant to the Chongqing Chuanwei EPC Contract, Chongqing Chuanwei will settle the total consideration of RMB205,880,000 (tentative estimate of the total value as of 14 September 2018) in the following manner:

1. Cost of equipment and materials – Within 20 days upon passing the on-site inspection and acceptance of equipment and materials, Chongqing Chuanwei shall make a payment to Beijing Boqi for the receipt of project materials amounting to 70% of the cost of equipment and materials of the contract value;
2. Construction and installation expenses – Beijing Boqi reports on the completed progress of construction on a monthly basis. Within 20 days upon confirmation, Chongqing Chuanwei shall make a payment to Beijing Boqi amounting to 70% of the corresponding amount of the completed progress;
3. Technical service fee and other fees – Within 20 days upon the completion and approval of the basic design, the contract-issuing party makes a payment to the contractor amounting to 50% of total technical service fee and other fees of the contract; upon the completion of the detailed design and its approval by Chongqing Chuanwei, Chongqing Chuanwei shall make a payment which adds up to 80% of total technical service fee and other fees of the contract value;
4. Project standard compliance – After the whole project passes its completion inspection and acceptance and meets the passing standards, Chongqing Chuanwei shall make a payment to Beijing Boqi which adds up to 90% of total technical service fee of the settlement amount; and

5. Project completion – After the final accounting and auditing for project completion, Chongqing Chuanwei makes a payment to Beijing Boqi which adds up to 97% of total technical service fee of the validated amount; 3% of total technical service fee and other fees serves as the quality assurance deposit. Within 20 days after no error is found in the examination, Chongqing Chuanwei shall pay the outstanding amount to Beijing Boqi.

The Company generated revenue of approximately RMB74.0 million, RMB39.7 million and RMB44.9 million under the Chongqing Chuanwei EPC Contract for the three years ended 31 December 2021.

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

Beijing, the PRC, 21 July 2022

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