

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of this announcement.



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)

MAJOR TRANSACTION FINANCE LEASE ARRANGEMENT

FINANCE LEASE AGREEMENT

On 12 July 2024 (after trading hours), Beijing Boqi and Changzhi Boqi (as Lessees) and CITIC Leasing (as lessor) entered into the Finance Lease Agreement, pursuant to which (i) CITIC Leasing agreed to purchase and the Lessees agreed to dispose the equipment at the consideration of RMB120,000,000.00; and (ii) CITIC Leasing agreed to lease the equipment to the Lessees for a term of five years, at an estimated total amount of RMB137,195,952.60, being the sum of lease principal and lease interest.

During the 12 months prior to the entering into of the Finance Lease Agreement, the Group and CITIC Leasing had entered into the Former Finance Lease Agreement, pursuant to which (i) CITIC Leasing agreed to purchase and the Lessees agreed to dispose the equipment at the consideration of RMB110,000,000.00; and (ii) CITIC Leasing agreed to lease the equipment to the Lessees for a term of five years, at an estimated total amount of RMB125,754,429.60, being the sum of lease principal and lease interest.

LISTING RULES IMPLICATIONS

As the Finance Lease Agreement and the Former Finance Lease Agreement involve the disposal and leasing of certain equipment to and from the same lessor and are completed within a 12-month period, the transactions shall be aggregated in accordance with Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the transactions contemplated under the Finance Lease Agreement exceed 25% but are less than 100%, the Finance Lease Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is thus subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened by the Company to consider and, if thought fit, approve the Finance Lease Agreement by the Shareholders. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Finance Lease Agreement and is required to abstain from voting on the relevant resolution(s) at the EGM.

A circular containing, among other things, (i) further details of the Finance Lease Agreement, (ii) the financial information of the Group, other information as required to be disclosed under the Listing Rules and a notice of the EGM is expected to be dispatched to the Shareholders on or before 16 August 2024, as additional time is required to finalise certain information to be included in the circular.

INTRODUCTION

On 12 July 2024 (after trading hours), Beijing Boqi and Changzhi Boqi (as Lessees) and CITIC Leasing (as lessor) entered into the Finance Lease Agreement, pursuant to which (i) CITIC Leasing agreed to purchase and the Lessees agreed to dispose the equipment at the consideration of RMB120,000,000.00; and (ii) CITIC Leasing agreed to lease the equipment to the Lessees for a term of five years, at an estimated total amount of RMB137,195,952.60, being the sum of lease principal and lease interest.

FINANCE LEASE AGREEMENT

The principal terms of the Finance Lease Agreement are set out below:

- Date : 12 July 2024
- Parties : (a) CITIC Leasing as the lessor; and
(b) Beijing Boqi and Changzhi Boqi, as the Lessees.
- Lease assets : Changzhi Equipment
- Purchase price : Pursuant to the Finance Lease Agreement, CITIC Leasing agrees to purchase the equipment and shall pay RMB120,000,000.00 within 10 business days upon satisfaction of the conditions precedent as set out below.
- Conditions precedent : The conditions precedent of the Finance Lease Agreement, include, among others:
- (a) CITIC Leasing has received the fees payable by the Lessees (such as deposit) under the Finance Lease Agreement;
 - (b) CITIC Leasing has received the necessary title documents to prove that the Lessees have ownership of and/or has the right to deal with Changzhi Equipment;

- (c) the Lessees have completed all internal and external authorization or approval required to sign and perform the Finance Lease Agreement;
- (d) if guarantee shall be provided, CITIC Leasing has received such authorization or approval required for the provisions of such guarantee;
- (e) the Finance Lease Agreement and other security agreements related thereto have been duly executed, and such agreements have become effective and have not been breached;
- (f) in the event that the relevant guarantor is required to complete registration procedures according to the applicable laws and regulations and the guarantee documents; and CITIC Leasing requests the aforesaid registration to be completed before payment of the purchase price, CITIC Leasing has received the document for the aforesaid registration of the guarantee;
- (g) CITIC Leasing has received the “Letter of Transfer of Ownership and Acceptance of Leased Property” and the “Payment Notice” which are required to be signed or issued by the Lessees under the Finance Lease Agreement;
- (h) in the event that insurance is required for the equipment, CITIC Leasing has received the relevant documents obtained for the insurance of the equipment, proving that the Lessees, as requested by CITIC Leasing, have purchased the insurance recognized by CITIC Leasing for the equipment;
- (i) upon payment of the purchase price, the national fiscal, taxation and financial policies or capital supervision measures for the financial industry imposed by the government have not changed significantly compared with those as of the time when the Finance Lease Agreement was entered into, and the financing cost in the market has not increased significantly;
- (j) upon payment of the purchase price, there are no ongoing or unremediable breaches in respect of any contract entered into among CITIC Leasing and the Lessees or among third parties and the Lessees and the Finance Lease Agreement;

- (k) the proportion of the Lessees' own capital investment in the project where the equipment is located to the purchase price payable by CITIC Leasing shall not be lower than the level recognized by CITIC Leasing; and
- (l) other conditions as required by CITIC Leasing have been satisfied.

The aforesaid conditions precedent are waivable by CITIC Leasing before the payment of the purchase price at its discretion. In the event that CITIC Leasing temporarily waives certain conditions precedent before the payment of the purchase price, it is entitled to require the Lessees to fulfil such conditions after the payment of the purchase price.

Basis of purchase price : The purchase price is determined after arm's length negotiations with reference to the following factors:

- (a) the book value of the equipment of approximately RMB125,991,235.37; and
- (b) with reference to the estimated service fees to be generated by the equipment under the projects in Changzhi City, Shanxi Province and Xinjiang Drilling Area, where the equipment is located.

Lease back arrangement : Pursuant to the Finance Lease Agreement, CITIC Leasing agreed to lease back the equipment to the Lessees for an estimated total amount of RMB137,195,952.60, being the sum of lease principal and lease interest. The lease principal of RMB120,000,000.00 and the estimated aggregate lease interest as set out below shall be paid by the Lessees to CITIC Leasing in 10 equal installments.

Lease interest : The lease interest is calculated by a floating interest rate, which shall be adjusted with reference to the Benchmark Interest Rate plus a fixed premium of 1.0%.

As at the date of this announcement, the aggregate interest is estimated at RMB17,195,952.60, based on the Benchmark Interest Rate of 3.95% as of 20 June 2024 plus a premium of 1.0%.

- Basis of lease payment : The lease payment is agreed among CITIC Leasing and the Lessees with reference to the purchase price payable by CITIC Leasing in respect of the equipment and the prevailing market interest rate of comparable equipment finance leases.
- Lease term : Five years, commencing from the date when CITIC Leasing makes payment of the purchase price for transfer of the equipment to the Lessees.
- Deposit and handling fee : Nil.
- Ownership of lease assets : Commencing from the date of the payment of the purchase price, CITIC Leasing is the sole legal owner of the equipment regardless of whether the equipment is registered under the name of CITIC Leasing or whether the Lessees delay or fail to complete the procedures of transfer of ownership of the equipment.
- Due to the transaction nature of sales and leaseback under the Finance Lease Agreement, there is no transfer of actual possession of the equipment. The Lessees are entitled to the possession, usage and benefits of the equipment.
- Option to buy back the lease assets : Upon the end of the lease term, subject to the Lessees having fulfilled all of their obligations under the Finance Lease Agreement without any breach, the Lessees have the option to buy back the equipment at a nominal consideration of RMB1.
- Special agreement : The Lessees undertake that the financial statements of Beijing Boqi shall be provided to CITIC Leasing quarterly and debt to asset ratio of Beijing Boqi will not be higher than 60% during the lease term or else CITIC Leasing is entitled to terminate the lease.

The net proceeds under the Finance Lease Agreement shall be used by the Group for serving as long-term financial resources to supplement its working capital. According to the applicable accounting standards, the transactions contemplated under the Finance Lease Agreement will not give rise to any disposal gain or loss to be recorded by the Group.

FORMER FINANCE LEASE AGREEMENT

During the 12 months prior to the entering into of the Finance Lease Agreement, the Group and CITIC Leasing had entered into the Former Finance Lease Agreement, pursuant to which (i) CITIC Leasing agreed to purchase and the Lessees agreed to dispose the equipment at the consideration of RMB110,000,000.00; and (ii) CITIC Leasing agreed to lease the equipment to the Lessees for a term of five years, at an estimated total amount of RMB125,754,429.60, being the sum of lease principal and lease interest. For further details of the Former Finance Lease Agreement and the transactions contemplated thereunder, please refer to the Former Finance Lease Agreement Announcement.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE AGREEMENT

The Directors are of the view that entering into the Finance Lease Agreement will provide the Group with long-term financial resources to supplement its working capital. The terms of the Finance Lease Agreement are determined after arm's length negotiations with reference to the average fair market price of the similar assets and the prevailing market interest rates and trading terms of the similar assets finance lease agreements.

The Directors therefore consider that the terms and conditions are normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

INFORMATION ON THE PARTIES

CITIC Leasing

CITIC Leasing is a limited liability company established under the laws of the PRC and is principally engaged in the business of finance leasing. CITIC Leasing is a wholly-owned subsidiary of China CITIC Bank Corporation Limited, a company listed on both the Shanghai Stock Exchange (Stock Code: 601998) and the Main Board of the Stock Exchange (Stock Code: 998).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, CITIC Leasing and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

The Group, Beijing Boqi and Changzhi Boqi

The Group is mainly engaged in providing comprehensive and professional environmental management services to large industrial and energy customers, including flue gas treatment, water treatment, hazardous solid waste treatment and disposal, and 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.

Changzhi Boqi, a limited liability company established in the PRC, is a wholly-owned subsidiary of Beijing Boqi. Its main business includes wastewater treatment, recycling and reuse, the treatment, utilization and distribution of other water, the operation and management of wastewater and reclaimed-water reuse and other services.

LISTING RULES IMPLICATIONS

As the Finance Lease Agreement and the Former Finance Lease Agreement involve the disposal and leasing of certain equipment to and from the same lessor and are completed within a 12-month period, the transactions shall be aggregated in accordance with Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the transactions contemplated under the Finance Lease Agreement exceed 25% but are less than 100%, the Finance Lease Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is thus subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

An EGM will be convened by the Company to consider and, if thought fit, approve the Finance Lease Agreement by the Shareholders. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Finance Lease Agreement and is required to abstain from voting on the relevant resolution(s) at the EGM.

A circular containing, among other things, (i) further details of the Finance Lease Agreement, (ii) the financial information of the Group, other information as required to be disclosed under the Listing Rules and a notice of the EGM is expected to be dispatched to the Shareholders on or before 16 August 2024, as additional time is required to finalise certain information to be included in the circular.

DEFINITIONS

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

“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
“Benchmark Interest Rate”	the benchmark interest rate for RMB loans with a maturity of above five years, as promulgated by the People's Bank of China from time to time
“Changjizhou Boqi”	Changjizhou Boqi Environmental Technology Co., Ltd.* (昌吉州博奇環保科技有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Beijing Boqi
“Changzhi Boqi”	Changzhi Boqi Environmental Technology Co., Ltd.* (長治市博奇環保科技有限公司), a wholly-owned subsidiary of the Company
“Changzhi Equipment”	sewage treatment equipment for the Group's operation of industrial sewage treatment projects in Changzhi City, Shanxi Province, the PRC and the drilling mud solid waste treatment project in Xinjiang Drilling Area as stipulated under the Finance Lease Agreement
“Board”	the board of Directors

“CITIC Leasing”	CITIC Financial Leasing Co. Ltd.* (中信金融租賃有限公司), a company established in the PRC with limited liability and a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“Company”	China Boqi Environmental (Holding) Co., Ltd., a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning as described under Rule 14A.06(7) of the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting to be convened by the Company for the Shareholders to consider and approve, if thought fit, among other things, the Finance Lease Agreement and the transactions contemplated thereunder
“Finance Lease Agreement”	the finance lease agreement entered into among the Lessees and CITIC Leasing on 12 July 2024, including all ancillary agreements attached thereto in respect of the disposal and lease of Changzhi Equipment, as described in the sub-section headed “Finance Lease Agreement” in this announcement
“Former Equipment”	certain desulfurization, denitrification, dust removal and sewage treatment equipment for the Group’s operation of ultra-low emission upgrading and sewage treatment projects in Changjizhou, Xinjiang Uygur Autonomous Region, the PRC as stipulated under the Former Finance Lease Agreement
“Former Finance Lease Agreement”	the finance lease agreement entered into among Beijing Boqi and Changjizhou Boqi as the Lessees and CITIC Leasing on 22 March 2024, including all ancillary agreements attached thereto in respect of the disposal and lease of the Former Equipment
“Former Finance Lease Agreement Announcement”	the announcement of the Company dated 22 March 2024 in relation to the entering into the Former Finance Lease Agreement
“Group”	the Company and its subsidiaries
“Lessees”	Beijing Boqi and Changzhi Boqi
“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
“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)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	shall have the meaning as ascribed to it under the Listing Rules
“%”	percentage

* *for identification purpose only*

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

Beijing, PRC, 12 July 2024

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. Li Tao, Prof. Yu Wayne W. and Ms. Zhang Fan.