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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Boqi Environmental (Holding) Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**MAJOR TRANSACTION
FINANCE LEASE ARRANGEMENTS AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the Board is set out on pages 4 to 16 of this circular.

A notice convening the EGM to be held at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on Friday, 13 September 2024 at 10:30 a.m., is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 10:30 a.m. on Wednesday, 11 September 2024. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

23 August 2024

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“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
“Board”	the board of Directors
“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 the 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
“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 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

DEFINITIONS

“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 between 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 Arrangements” in this circular
“Finance Lease Arrangements”	Finance Lease Agreement and Former Finance Lease Agreement
“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 between 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	20 August 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Lessees”	Beijing Boqi and Changzhi Boqi

DEFINITIONS

“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
“O&M”	operation and maintenance
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary shares in the share capital of our Company with par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of the Share(s)
“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*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zeng Zhijun (*Chairman*)

Mr. Liu Genyu

Ms. Qian Xiaoning

Registered office:

PO Box 309

Ugland House

Grand Cayman KY1-1104

Cayman Islands

Non-executive Directors:

Mr. Cheng Liquan Richard

Mr. Zheng Tony Tuo

Mr. Zhu Weihang

Mr. Chen Xue

Principal place of business in Hong Kong:

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

Independent Non-executive Director:

Dr. Xie Guozhong

Mr. Li Tao

Prof. Yu Wayne W.

Ms. Zhang Fan

Headquarters in the PRC:

9-10/F, CCT Center

No. 5 Laiguangying West Road

Chaoyang District

Beijing, the PRC

23 August 2024

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION FINANCE LEASE ARRANGEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 12 July 2024 in relation to the Finance Lease Arrangements.

The purpose of this circular is to provide you with, among other things, (i) further details of the Finance Lease Arrangements; and (ii) notice of the EGM.

LETTER FROM THE BOARD

FINANCE LEASE ARRANGEMENTS

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.

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 precedents of the Finance Lease Agreement, including, 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;

LETTER FROM THE BOARD

- (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 to 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 between CITIC Leasing and the Lessees or between third parties and the Lessees and the Finance Lease Agreement;

LETTER FROM THE BOARD

- (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 precedents 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 precedent 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 book value of the equipment of approximately RMB125,991,235.37, which indicates that the purchase price represents a discount of approximately 4.8% to such book value and such discount is a common market practice under the finance lease arrangements in the PRC.

Based on the aforesaid and taking into account that the aforesaid discount rate of purchase price to the book value is comparable to the market level under similar finance lease arrangements of the Group and other companies in the market, the Board is of the view that the purchase price (including the discount to the book value) is fair and reasonable and in the interest of the Company and its shareholders.

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, the estimated aggregate lease interest as set out below shall be paid by the Lessees to CITIC Leasing in 10 equal installments.

LETTER FROM THE BOARD

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 circular, 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%. Such premium on the Benchmark Interest Rate is a common market practice, which usually falls within the range approximately from 1% to 4.05%, and is negotiated with reference to a wide range of factors such as the nature of the industry involved and the financial position of the lessees.

Based on the aforesaid, the Board is of the view that the lease interest is fair and reasonable and comparable to the terms of similar assets finance lease agreements.

Basis of lease payment : The lease payment is agreed between 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.

LETTER FROM THE BOARD

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 and request the Lessees to repay all outstanding amount in advance.

The Board is of the view that the aforesaid repayment in advance will not incur a material impact on the financial performance of the Group as the Directors expect that the Group will have sufficient cash resources for such repayment, taking into account the historical amounts of cash and cash equivalents.

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, including (i) approximately RMB20.0 million for payment of certain material costs for the project(s) where the Changzhi Equipment is located; and (ii) approximately RMB100.0 million for payment of part of initial construction costs for the project(s) where the Changzhi Equipment is located in the second half of 2024.

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

On 22 March 2024 (after trading hours), Beijing Boqi and Changjizhou Boqi (as lessees) and CITIC Leasing (as lessor) entered into the Former Finance Lease Agreement, pursuant to which (i) CITIC Leasing agreed to purchase and the Lessees agreed to dispose the Former Equipment at the consideration of RMB110,000,000; and (ii) CITIC Leasing agreed to lease the Former Equipment to the Lessees for a term of five years, at an estimated total amount of RMB125,754,429.6, being the sum of lease principal and lease interest.

LETTER FROM THE BOARD

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

- Date** : 22 March 2024
- Parties** : (a) CITIC Leasing as the lessor; and
(b) Beijing Boqi and Changjizhou Boqi, as the lessees.
- Lease assets** : The Former Equipment
- Purchase price** : Pursuant to the Former Finance Lease Agreement, CITIC Leasing agrees to purchase the Former Equipment and shall pay RMB110,000,000 within 10 business days upon satisfaction of the conditions precedent as set out below.
- Conditions precedent** : The conditions precedents of the Former Finance Lease Agreement, including, among others:
- (a) CITIC Leasing has received the fees payable by the Lessees (such as deposit) under the Former 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 the subject assets;
 - (c) the Lessees have completed all internal and external authorization or approval required to sign and perform the Former 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 Former Finance Lease Agreement and other security agreements related thereto have been duly executed, and such agreements have become effective and have not been breached;

LETTER FROM THE BOARD

- (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” signed by the Lessees and “Payment Notice” issued by the Lessees regarding the payment of the purchase price;
- (h) in the event that insurance is required for the Former Equipment, CITIC Leasing has received the relevant documents obtained for the insurance of the Former Equipment, proving that the Lessees, as requested by CITIC Leasing, have purchased the insurance recognised by CITIC Leasing for the Former 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 to those as of the time when the Former 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 between CITIC Leasing and the Lessees or between third parties and the Lessees and the Former Finance Lease Agreement;
- (k) the proportion of the Lessees’ own capital investment in the project where the Former Equipment is located to the purchase price payable by CITIC Leasing shall not be lower than the level recognized by CITIC Leasing; and

LETTER FROM THE BOARD

- (l) other conditions as required by CITIC Leasing have been satisfied.

The aforesaid conditions precedents are waivable by CITIC Leasing before the payment of the purchase price at its discretion. In the event 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 precedent 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 Former Equipment of approximately RMB112,182,047.17; and
- (b) the estimated service fees to be generated by the Former Equipment under the projects in Changjizhou, Xinjiang Uygur Autonomous Region, where the Former Equipment is located.

Lease back arrangement : Pursuant to the Former Finance Lease Agreement, CITIC Leasing agreed to lease back the Former Equipment to the Lessees for an estimated total amount of RMB125,754,429.6, being the sum of lease principal and lease interest. The lease principal of RMB110,000,000, 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 circular, the aggregate interest is estimated at RMB15,754,429.6, based on the Benchmark Interest Rate of 3.95% as of 20 March 2024 plus a premium of 1.0%.

LETTER FROM THE BOARD

- Basis of lease payment** : The lease payment is agreed between CITIC Leasing and the Lessees with reference to the purchase price payable by CITIC Leasing in respect of the Former 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 Former Equipment to the Lessees.
- Deposit and handling fee** : Nil.
- Ownership of lease assets** : Commencing the date of the payment of the purchase price, CITIC Leasing is the sole legal owner of the Former Equipment regardless of whether the Former 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 Former Equipment.
- Due to the transaction nature of sales and leaseback under the Former Finance Lease Agreement, there is no transfer of actual possession of the Former Equipment. The Lessees are entitled to the possession, usage and benefits of the Former 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 Former Finance Lease Agreement without any breach, the Lessees have the option to buy back the Former Equipment at a nominal consideration of RMB1.
- Special undertaking** : 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.

For further details of the Former Finance Lease Agreement and the transactions contemplated thereunder, please refer to the Former Finance Lease Agreement Announcement.

LETTER FROM THE BOARD

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. While the Company has also explored other alternative financing options such as bank loans, the drawdown timing, the required conditions for the financing and risk level involved of other financing options may not match the need and requirements of the Group as well as those of the Finance Lease Agreement. As such, the Finance Lease Agreement remains the better financing option to the Group. 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 OF THE PARTIES TO THE FINANCE LEASE ARRANGEMENTS

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.

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE FINANCE LEASE ARRANGEMENTS

As a result of the Finance Lease Arrangements, it is expected that (i) the cash and cash equivalents under total assets of the Group will increase by approximately RMB230 million to reflect the proceeds from the sale of the Changjizhou Equipment and Changzhi Equipment; and (ii) the interest-bearing bank and other borrowings under total liabilities of the Group will increase by approximately RMB263 million to reflect the payment obligation of the Group under the Finance Lease Arrangements. The aggregate of the interest payments to be paid in 2024 is approximately RMB2.9 million and to be paid in 2025 is approximately RMB10.5 million, which represents less than 1% of the revenue for the year ended 31 December 2023. As a result, the asset-to-liability ratio is expected to slightly increase by 1% to 2%. While the Company expects that there is no material impact on the earnings of the Group as a result of the Finance Lease Arrangements over the lease term, the lease interest and handling fee of approximately RMB33 million shall be charged to the consolidated statement of profit or loss of the Group.

Save as described above, it is not expected that there will be any material impact on the earnings, assets and liabilities of the Group as a result of the Finance Lease Arrangements.

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.

EXTRAORDINARY GENERAL MEETING

The EGM shall be held at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on Friday, 13 September 2024 at 10:30 a.m. and, if thought fit, approving, among other things, the Finance Lease Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, belief and having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in the transactions contemplated under the Finance Lease Arrangements, therefore no Shareholder is required to abstain from voting on the relevant resolutions, as the case may be, for approving, among other things, the Finance Lease Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

A notice convening the EGM and a form of proxy for use at the EGM are enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so desire.

In compliance with the Listing Rules, all resolution(s) put to vote at the EGM will be decided by way of poll. An announcement on the poll results will be published on the websites of the Company and of the Stock Exchange following the EGM.

CLOSURE OF REGISTER OF MEMBERS FOR EGM

The EGM is scheduled to be held on Friday, 13 September 2024. For determining the entitlement to attend and vote at the EGM, the transfer books and register of members of the Company will be closed from Tuesday, 10 September 2024 to Friday, 13 September 2024, both days inclusive, during which period no transfer of Shares will be effected.

In order to be eligible to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 September 2024.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the agreements executed pursuant to the Finance Lease Arrangements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out elsewhere in this circular and in the appendices to it.

Yours faithfully,
For and on behalf of the Board of Directors
Zeng Zhijun
*Chairman, Executive Director and
Chief Executive Officer*

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Consolidated financial information of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaboqi.com) respectively:

- Annual report for the year ended 31 December 2021
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601245.pdf>)
- Annual report for the year ended 31 December 2022
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601615.pdf>)
- Annual report for the year ended 31 December 2023
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0424/2024042400620.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Group's indebtedness includes secured loans and borrowings amounted to approximately RMB246,227,000, unsecured loans and borrowings amounted to approximately RMB57,497,000 and lease liabilities amounted to approximately RMB23,168,000.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, none of the companies comprising the Group had any outstanding indebtedness in respect of any loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchases commitments, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, guarantees or other material contingent liabilities as at 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account of the financial resources available to the Group including internally generated funds and the available banking facilities, the Group will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there had been no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group, as at the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group has long been pursuing further business development in the environmental governance industry and is committed to becoming a comprehensive environmental protection industry group and intelligent environmental protection housekeeper. The Group recorded a continuing increase in its operating income with good asset structure and stable financial capital. In 2023, under the guidance of strategic transformation, the Group continued to develop its principal business and successfully opened up new businesses through active exploration with the courage to break new ground. In order to seize market development opportunities, the Group will adjust and optimize its business based on the flue gas treatment business to vigorously develop the non-electrical field business, industrial wastewater treatment and solid waste treatment businesses.

Based on the annual report for the year ended 31 December 2023, the revenue of the Group amounted to RMB2,138 million, representing an increase of 12.5% as compared to that of last year. The Group currently has a stable source of income generated from a diversified portfolio of projects.

Looking ahead, the Directors expect that the competition will be intensified in the environmental protection industry in which the challenges and opportunities coexist. The Group will strategically explore new business opportunities in the environmental protection industry and strive to expand the market size. The Group will also obtain sufficient funds through financial products of capital market to provide momentum for the Group's business development.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in Shares

Name of Director	Nature of Interest	Number and class of Shares	Approximate percentage of shareholding
Mr. Zeng Zhijun	Interest of a controlled corporation (<i>Note 1</i>)	278,636,331 (Long Position)	27.71%
Ms. Qian Xiaoning	Beneficial owner (<i>Note 2</i>)	4,846,000 (Long Position)	0.48%
Mr. Cheng Liquan Richard	Interest of a controlled corporation (<i>Note 3</i>); and beneficial owner (<i>Note 4</i>)	168,534,580 (Long Position)	16.76%
Mr. Zhu Weihang	Interest of a controlled corporation (<i>Note 5</i>)	152,170,529 (Long Position)	15.13%

Notes:

- (1) Mr. Zeng holds the entire issued share capital of Best Dawn Limited (“**Best Dawn**”) and 47.2% of interests in Asia Environment Investment Limited (“**Asia Environment**”). Therefore, Mr. Zeng is deemed to be interested in the Shares held by Best Dawn and Asia Environment under the SFO.
- (2) As at the Latest Practicable Date, Ms. Qian is entitled to receive up to (i) 1,576,000 Shares pursuant to the Pre-IPO Share Award Scheme; and (ii) 3,270,000 Shares pursuant to the share option scheme adopted by the Company on 29 December 2020.
- (3) Mr. Cheng holds the entire issued share capital of World Hero International Limited (“**World Hero**”). Therefore, Mr. Cheng is deemed to be interested in the Shares held by World Hero under the SFO.
- (4) Mr. Cheng directly holds 400,000 Shares.
- (5) The entire issued share capital of New Asia Limited (“**New Asia**”) is held by Great Origin Ventures Limited (“**Great Origin**”), whose entire issued share capital is in turn held by Mr. Zhu. Therefore, Mr. Zhu is deemed to be interested in the Shares held by New Asia under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company hold any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors and chief executive of the Company) had interests or short positions in Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Capacity/Nature of interests	Number of Shares/ underlying Shares held or deemed to be held	Percentage of the total number of Shares of the Company
Best Dawn	Beneficial owner	255,695,143 (Long Position)	25.42%
Ms. Ge Tong	Interest of spouse (Note 1)	278,636,331 (Long Position)	27.71%

Name of shareholder	Capacity/Nature of interests	Number of Shares/ underlying Shares held or deemed to be held	Percentage of the total number of Shares of the Company
World Hero	Beneficial owner	168,134,580 (Long Position)	16.72%
Ms. Zhou Xuan	Interest of spouse (<i>Note 2</i>)	168,534,580 (Long Position)	16.76%
New Asia	Beneficial owner	152,170,529 (Long Position)	15.13%
Great Origin	Interest of a controlled corporation (<i>Note 3</i>)	152,170,529 (Long Position)	15.13%
Sinopec Overseas Investment Holding Limited (“Sinopec”)	Beneficial owner	110,294,118 (Long Position)	10.97%
China Petroleum & Chemical Corporation	Interest of a controlled corporation (<i>Note 4</i>)	110,294,118 (Long Position)	10.97%

Notes:

- (1) Ms. Ge Tong is the spouse of Mr. Zeng. Under the SFO, Ms. Ge Tong is deemed to be interested in the same number of Shares in which Mr. Zeng is interested.
- (2) Ms. Zhou Xuan is the spouse of Mr. Cheng. Under the SFO, Ms. Zhou Xuan is deemed to be interested in the same number of Shares in which Mr. Cheng is interested.
- (3) The entire issued share capital of New Asia is held by Great Origin. Therefore, Great Origin is deemed to be interested in the Shares held by New Asia under the SFO.
- (4) China Petroleum & Chemical Corporation holds the entire issued share capital of Sinopec. Therefore, China Petroleum & Chemical Corporation is deemed to be interested in the Shares held by Sinopec under the SFO. China Petroleum & Chemical Corporation is a PRC state-owned company, whose H shares are listed on the Main Board (stock code: 386).

Save as disclosed above, and as at the Latest Practicable Date, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the Latest Practicable Date, none of the Directors or their close associates had any direct or indirect interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting as at the Latest Practicable Date in which any of the Directors was materially interested and which was significant in relation to the business of the Group.

6. SERVICE AGREEMENTS

None of the Directors had entered into any service contract with the Company or any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, no contracts (not being contracts in the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular which are or may be material.

8. MISCELLANEOUS

- (a) The registered office of the Company is at PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands, and the principal place of business in Hong Kong is at 40/F., Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.
- (b) The branch share registrar of the Company is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The joint company secretaries are Mr. Hu Nan and Ms. Wong Wai Ling. Mr. Hu Nan obtained a bachelor's degree of management majoring in accounting from Zhejiang University, a master degree of business administration from Graduate School of

Chinese Academy of Sciences and a master degree of law from China University of Political Science and Law. Ms. Wong Wai Ling graduated from Hong Kong Polytechnic University and was admitted as an associate of The Hong Kong Institute of Chartered Secretaries.

- (d) The English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at <https://www.hkexnews.com> and the website of the Company (www.chinaboqi.com) for a period of 14 days from the date of this circular:

- (a) the Finance Lease Agreement; and
- (b) the Former Finance Lease Agreement.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“**EGM**”) of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**”) will be held at the conference room of the Company at 10/F, CCT Center, No. 5 Laiguangying West Road, Chaoyang District, Beijing, the PRC on Friday, 13 September 2024 at 10:30 a.m. (the “**Meeting**”) to consider and, if thought fit, pass the following resolutions of the Company:

Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the circular of the Company dated 23 August 2024.

ORDINARY RESOLUTIONS

“THAT:

- (a) the Finance Lease Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (the “**Director**”) be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such further documents for and on behalf of the Company by hand, or in case of execution of documents under seal, to do so jointly with any of a second Director, a duly authorized representative of the Director or any one of the joint company secretaries of the Company (the “**Company Secretary**”) and to take such steps as he may in his absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the transactions contemplated under the Finance Lease Arrangements.”

By Order of the Board

China Boqi Environmental (Holding) Co., Ltd.

Zeng Zhijun

Chairman, Executive Director and Chief Executive Officer

Beijing, PRC, 23 August 2024

NOTICE OF EGM

As at the date of this notice, 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.

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A member who is a recognized clearinghouse within the meaning of the Securities and Futures Ordinance is entitled to appoint one or more proxies to attend and vote on its behalf. A proxy need not be a member of the Company.
2. In the case of joint holders of any shares in the Company, any one of such joint holders may vote at the above meeting, either personally or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, either personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.
3. In order to be valid, a form of proxy must be deposited at the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.
4. The register of members of the Company will be closed from Tuesday, 10 September 2024 to Friday, 13 September 2024 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all share certificates with completed transfer forms must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 9 September 2024 for registration of share transfer.
5. As required under the Listing Rules, the votes at the Meeting will be taken by poll.