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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 registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Champion Alliance International Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Champion Alliance International Holdings Limited

冠均國際控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 1629)

MAJOR TRANSACTION

Financial adviser to the Company



Capitalised terms used on this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 4 to 12 of this circular.

The Company has received a written approval of the Disposal by Champion Alliance, which holds 350,000,000 Shares, representing approximately 64.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal and the transactions contemplated thereunder. This circular is being despatched to the Shareholders for information only.

23 September 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions shall have the meanings as set out below:

“Agreement”	the sale and purchase agreement dated 5 August 2022 entered into between the Vendor and the Purchaser for the sale and purchase of the Sale Share
“Announcement”	the announcement of the Company dated 5 August 2022 in relation to the Disposal
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which licensed banks are generally open for business in Hong Kong
“Champion Alliance”	Champion Alliance International Corporation, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder (as defined under the Listing Rules) of the Company holding 350,000,000 Shares, representing approximately 64.09% of the entire issued share capital of the Company as at the Latest Practicable Date
“Company” or “Vendor”	Champion Alliance International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms of the Agreement
“Completion Date”	the date falling within the 3 Business Days after the fulfilment (or waiver as the case may be) of all conditions precedent under the Agreement
“Consideration”	the total consideration in the amount of HK\$49,000,000 for the Disposal under the Agreement
“Deed of Novation”	the deed of novation to be entered into among the Purchaser, the Vendor and the Lender upon Completion pursuant to which the Purchaser agrees to assume all liabilities and to satisfy all claims and demands whatever arising out of or in respect of the Loan (together with the interest accrued thereof) in substitution for the Company

DEFINITIONS

“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share pursuant to the Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hubei Mengke”	Hubei Mengke Paper Company Limited* (湖北盟科紙業有限公司), a company established in the PRC with limited liability, a wholly owned subsidiary of Mengke Hong Kong
“Latest Practicable Date”	21 September 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lender”	Singapore Overseas Chinese Holdings Limited (新加坡華僑控股有限公司), which is wholly-owned by Mr. Kang Sheng (康生) and the lender of the Loan and together with its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in the principal amount of HK\$40,000,000 granted by the Lender to the Company in January 2019 and due in January 2023, with interest waived for the first year and interest accruing at the rate of 18% for the second year, and at the rate 9% for each subsequent year
“Mengke Hong Kong”	Mengke (Hong Kong) Company Limited (盟科(香港)有限公司), a company incorporated in Hong Kong with limited liability, a wholly owned subsidiary of the Target Company and holds the entire equity interest in Hubei Mengke
“PRC”	the People’s Republic of China

DEFINITIONS

“Purchaser”	Sage Height Limited (哲峰有限公司), the purchaser under the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	one share of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charges”	(i) the charge of the Sale Share by the Company in favour of the Lender; and (ii) the charge of the all equity interest in Hubei Mengke by Mengke Hong Kong in favour of the Lender as security for the Loan
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Lucky Glorious Limited (瑞顯有限公司), a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Vendor and holds the entire issued share capital of Mengke Hong Kong
“Target Group”	collectively, the Target Company, Mengke Hong Kong and Hubei Mengke
“%”	per cent

In this circular, amounts in RMB are translated into HK\$ on the basis of RMB1 = HK\$1.20. The conversion rate is for illustration purpose only and should not be taken as a representation that RMB could actually be converted into HK\$ at such rate or at all.

* *For identification purpose only*

LETTER FROM THE BOARD



Champion Alliance International Holdings Limited
冠均國際控股有限公司

(Incorporated in the Cayman Islands with members' limited liability)

(Stock Code: 1629)

Executive Directors:

Mr. Chen Shuming (*Chairman*)
Mr. Chen Xiaolong (*Chief Executive Officer*)
Mr. Hu Enfeng (*Chief Financial Officer*)
Mr. Zhang Shihua (*Chief Information Officer*)
Ms. Chen Xiaoyan

Independent non-executive Directors:

Mr. Chen Hua
Mr. Zhao Zhendong
Mr. Chin Chi Ho Stanley

Registered office:

Second Floor
Century Yard
Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

Headquarters in the PRC:

Dongping Economic Development Zone
Shandong Province
PRC

Principal place of business in

Hong Kong:

Room A, 17th Floor
Capitol Centre Tower 2
28 Jardine's Crescent
Causeway Bay
Hong Kong

23 September 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to the Disposal.

LETTER FROM THE BOARD

On 5 August 2022 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Share, representing the entire issued share capital of the Target Company at a Consideration of HK\$49,000,000.

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Agreement and the Disposal; (ii) the financial information of the Group; and (iii) other information as required under the Listing Rules, for information only.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date: 5 August 2022 (after the trading hours)

Parties: (1) The Vendor; and
(2) The Purchaser.

The Purchaser is an investment holding company and is wholly-owned by Mr. Bao Haiping (鮑海平) (“**Mr. Bao**”). Mr. Bao was introduced to the Company by some business counterparts and he was invited by the Company to a trip to Hubei in June 2022 for site visit and business negotiation in relation to the Disposal. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be disposed of

Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Share, which represented the entire issued share capital of the Target Company.

The Target Company is a company incorporated in the British Virgin Islands with limited liability. As at the Latest Practicable Date, the Target Company has an issued and paid-up share capital of one ordinary share of US\$1.00, which is legally and beneficially owned by the Vendor.

Consideration

Pursuant to the Agreement, the Consideration is in the amount of HK\$49,000,000 and shall be settled by the Purchaser by entering into the Deed of Novation with the Company and the Lender upon Completion pursuant to which the Purchaser agrees to assume all liabilities and to satisfy all claims and demands whatever arising out of or in respect of the Loan (together with the interest accrued thereof) in substitution for the Company.

LETTER FROM THE BOARD

The Company took out the Loan in the principal amount of HK\$40,000,000 in January 2019 for the purpose of additional working capital for the cigarette packing products business segment of the Group. As at 31 December 2018, the cash and cash equivalents of the Company amounted to approximately RMB5.9 million. Comparatively, the Company's revenue, cost of sales and operating expenses (including distribution expenses, administrative expenses, net finance expenses and income tax) for the year ended 31 December 2018 amounted to approximately RMB217.5 million, RMB184.5 million and RMB37.5 million, respectively. Considering that the cash on hand was thin for the scale of operation of the Group, the Group had an imminent need to seek additional external funding to finance its operation. As at the Latest Practicable Date, all of the Loan had been utilised as intended by the Company.

The terms of the Loan, including the interest rates applicable, were arrived at after arm's length negotiations between the Company and the Lender. The Company had sought for quotations from three banks and an independent financier for offering a loan facility to the Company. However, the Company only received one offer by the Lender. Having considered (i) the Group's imminent need to raise additional external funding in light of the thin cash level at the material time; and (ii) the Loan offer is the only quotation available to the Company, at the time of taking out the Loan in January 2019, the Board considered that the terms of the Loan were on normal commercial terms and fair and reasonable, and it is appropriate to take out the Loan.

As at the Latest Practicable Date, the total outstanding amount of the Loan was in the amount of approximately HK\$53,000,000 (being the principal amount of the Loan in the amount of HK\$40,000,000 and accrued interest in the amount of approximately HK\$13,000,000). As the total outstanding amount of the Loan as at the date of the Agreement was more than the Consideration, the Vendor undertook to the Purchaser under the Agreement that it will pay HK\$4,000,000 to the Lender to settle part of the outstanding principal amount of the Loan within 7 Business Days after the Completion. The remaining outstanding principal amount of the Loan (i.e. HK\$36,000,000) and all accrued interest (i.e. approximately HK\$13,000,000 as at the Latest Practicable Date and such other interest to be accrued under the Loan) will be assumed and satisfied by the Purchaser pursuant to the Deed of Novation.

Prior to the entering into of the Agreement, the Vendor had liaised with the Lender and the Lender had acknowledged and consented to the arrangements under the Agreement and the Deed of Novation. The Lender is well aware that pursuant to the Deed of Novation to be entered into, the Purchaser will assume all liabilities and satisfy all claims and demands whatever arising out of or in respect of the Loan (together with the interest accrued thereof) in substitution for the Company. The Vendor will notify the Lender in advance of the date of Completion and the Lender will enter into the Deed of Novation upon Completion.

In addition, pursuant to the Agreement which is legal, binding and enforceable against the Purchaser, upon Completion, it is an obligation of the Purchaser that it shall deliver to the Vendor the duly executed Deed of Novation and arrange with the Lender to execute new share charge documents so as to release and replace the Share Charges. Should the Purchaser fail to

LETTER FROM THE BOARD

enter into the Deed of Novation upon Completion, the Vendor could claim against the Purchaser to enforce the Agreement.

The Consideration for the Disposal was determined after arms' length negotiations between the Vendor and the Purchaser having taken into consideration (i) the unaudited consolidated net asset value of the Target Group in the amount of approximately RMB44,900,000 (equivalent to approximately HK\$53,880,000) as at 30 June 2022; (ii) the loss-making performance of the Target Group for the two years ended 31 December 2021; and (iii) the benefits of the Disposal as detailed in the section headed "Reasons for and benefits of the Disposal" in this letter.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is no arrangement, understanding or undertaking (i.e. formal or informal, expressed or implied) or relationship (i.e. existing or prior, expressed or implied) among (a) the Purchaser and its ultimate beneficial owner; (b) the Company and any of its connected person; and (c) the Lender and its ultimate beneficial owners.

Conditions precedent

Completion is conditional upon and subject to the fulfilment (or waiver as the case may be) of the following conditions:

- (1) the Vendor having obtained all necessary consents and approvals required to be obtained on the part of the Vendor in respect of the Agreement and the transactions contemplated thereunder, including but not limited to the approval by the Shareholders approving, among others, the Agreement and the transaction contemplated thereunder as required under the Listing Rules;
- (2) the Vendor having completed all necessary procedures as required under the Listing Rules, including but not limited to the despatch of the circular to the Shareholders;
- (3) the Purchaser having obtained all necessary consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder;
- (4) the Purchaser being satisfied with the results of the legal and financial due diligence review on the Target Group; and
- (5) there being no material adverse change on the Target Group from the date of the Agreement.

The above conditions (4) and (5) can be waived by the Purchaser and all other conditions are not waivable. If the conditions set out in the Agreement have not been satisfied or waived (as the case may be) on or before on 30 November 2022 (or such later date as may be agreed between the Vendor and the Purchaser in writing), the Agreement shall cease and determine, and thereafter none of the parties to the Agreement shall have any obligations and liabilities towards

LETTER FROM THE BOARD

the other save for any antecedent breaches of the terms of the Agreement, and none of the parties to the Agreement shall claim or enforce any other damages or claims against the other.

As at the Latest Practicable Date, the above conditions (1) and (3) have been fulfilled whereas all other conditions remained unfulfilled.

Completion

Completion shall take place within 3 Business Days after fulfilment (or waiver as the case may be) of all the conditions precedent under the Agreement or such other date as agreed by the Vendor and the Purchaser. Pursuant to the Agreement, upon Completion, (i) the Purchaser and the Vendor shall enter into an instrument of transfer to transfer the Sale Share; and (ii) the registration of change in shareholder of the Target Company from the Vendor to the Purchaser will be completed simultaneously after the instrument of transfer being duly signed by the Purchaser and the Vendor. Upon Completion, (i) any liabilities and contingencies of the Target Company will be shifted to the Purchaser; and (ii) the Target Group will cease to be subsidiaries of the Company and the financial information of the Target Group will no longer be consolidated into the Group's consolidated financial statements, and the Group will cease to engage in the production and processing of cigarette packaging products.

As at the Latest Practicable Date, as a security of the Loan, the Sale Share is charged by the Company in favour of the Lender and all the equity interest in Hubei Mengke is charged by Mengke Hong Kong in favour of the Lender pursuant to the Share Charges. Upon Completion, the Purchaser will arrange with the Lender to sign new charge documents so as to release and replace the Share Charges and arrange for all necessary filing and registration procedures with respect to the new charge documents.

INFORMATION OF THE TARGET COMPANY

As at the Latest Practicable Date, (i) the Target Company is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The Target Company is an investment holding company and holds the entire share capital in Mengke Hong Kong; (ii) Mengke Hong Kong is a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company. Mengke Hong Kong is an investment holding company and holds the entire equity interest in Hubei Mengke; and (iii) Hubei Mengke is a company established in the PRC with limited liability and is a wholly-owned subsidiary of Mengke Hong Kong. Hubei Mengke is principally engaged in the production and processing of cigarette packaging products.

LETTER FROM THE BOARD

Consolidated financial information of the Target Group

The consolidated financial information of the Target Group for the two financial years ended 31 December 2020 and 31 December 2021 are set out below:

	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(audited)	(audited)
Revenue	217,468	165,146
Net (loss) before taxation	(1,513)	(16,008)
Net (loss) after taxation	(1,513)	(16,008)

As at 30 June 2022, the unaudited consolidated net asset value of the Target Group was approximately RMB44.9 million.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company expects to recognise an unaudited estimated disposal loss of approximately HK\$5,380,000 calculated with reference to (i) the total Consideration of HK\$49,000,000 under the Disposal; (ii) the unaudited consolidated net asset value of the Target Group in the amount of approximately RMB44,900,000 (equivalent to approximately HK\$53,880,000) as at 30 June 2022; and (iii) the estimated related transaction expenses payable by the Company in connection with the Disposal.

Shareholders should note that the actual loss from the Disposal will depend on, among others, (i) the carrying value of the assets of the Target Group as at the date of Completion; and (ii) the transaction cost for the Disposal, and therefore may be different from the amount mentioned above.

As the Consideration will be settled by the Purchaser by entering into the Deed of Novation with the Vendor and the Lender upon Completion, there will not be any proceeds receivable by the Company from the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in the (i) production and sale of metallised packaging paper and provision of related processing services for cigarette package manufacturers; (ii) new energy operations which includes the production and sale of steam for industrial use, heating and electricity; and (iii) trading of household paper products in the PRC.

LETTER FROM THE BOARD

As stated in the annual report of the Company for the year ended 31 December 2021, the government of the PRC extended its effort in the structural reform of the tobacco market, which included cigarette control, promotion of mental and physical health and cancer prevention, which caused adverse impact on the Group's cigarette packaging business. The Directors expect that the structural reform of the tobacco market will continue to weaken the performance of the Group's cigarette packaging business. Despite the Company is expected to record a loss on disposal of approximately HK\$5.4 million, having considered that (i) the Target Group has been making losses for the financial years ended 31 December 2020 and 2021 of approximately RMB1.5 million and RMB16.0 million, respectively; (ii) the significant increase in loss of the Target Group for the year ended 31 December 2021 was mainly due to decline in revenue and impairment of trade receivables in view of challenging business environment; (iii) the Target Group recorded loss of approximately RMB6.0 million for the six months ended 30 June 2022, mainly due to write-off of inventories; and (iv) the financial performance of the Target Group is expected to continue to deteriorate since the operating environment of the Target Group is expected to become more and more difficult in light of the aforesaid government policies, the Directors expects the performance of the Target Group will continue to deteriorate and, therefore, believe that the Disposal is a good opportunity for the Group to realise the assets of the Target Company, avoid incurring further losses from the Target Group so as to improve the financial performance of the Group as a whole and settle the Loan. Based on the foregoing, the Directors are of the view that it is in the interests of the Company and its Shareholders as a whole to dispose of the Target Company so that the Group can focus its resources on its other existing businesses which the Directors believe can generate better return to the Company and its Shareholders as a whole. The Directors believe that the Disposal is beneficial to the long-term development and profitability of the Company.

In addition, the Company understands that the Purchaser agreed to settle the Consideration by entering into the Deed of Novation to assume all liabilities and to satisfy all claims and demands under the Loan as there would not be any immediate cashflow burden on the Purchaser to pay for the Consideration whereas the Company agreed to this settlement method as this would settle all the Loan owing by the Company to the Lender and the Lender would only claim against the Purchaser for the Loan if the Purchaser fails to fulfill its obligations under the Deed of Novation.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Agreement are on normal commercial terms and are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction on the part of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. The Company has received a written approval of the Disposal by Champion Alliance, which holds 350,000,000 Shares, representing approximately 64.09% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the terms of the Agreement are on normal commercial terms and fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole. If a general meeting were to be convened for the approval of the Disposal, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Disposal at such general meeting.

Completion of the Disposal is conditional upon fulfilment (or waiver as the case may be) of the conditions precedent under the Agreement. There is no assurance that Completion will take place or as to when it may take place. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company and, if in any doubt, are recommended to consult their professional adviser(s).

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Champion Alliance International Holdings Limited
Chen Shuming
Chairman and Executive Director

1. FINANCIAL SUMMARY

The financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 are set out in the following documents which have been published on both the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.championshipintl.com:

- the annual report of the Company for the year ended 31 December 2019 published on 15 May 2020 (pages 68 to 127), available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051502169.pdf>;
- the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021 (pages 63 to 125), available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042900855.pdf>;
and
- the annual report of the Company for the year ended 31 December 2021 published on 12 May 2022 (pages 64 to 131), available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0512/2022051200623.pdf>.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 July 2022, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the publication of this circular, the total indebtedness of the Group amounted to approximately RMB92,868,000, which comprised:

- (i) unguaranteed bank and other borrowings of RMB50,237,000, which were secured by the followings:
 - pledge of the Group's certain property, plant and equipment;
 - pledge of the Group's investment property;
 - pledge of the Group's certain right-of-use assets; and
 - pledge of the Group's entire equity interest in a wholly-owned subsidiary;
- (ii) unsecured and unguaranteed other payables of RMB42,631,000.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals and other payables in the ordinary course of business, at the close of business on 31 July 2022, the Group did not have any debt securities issued and outstanding or agreed to be

issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchases commitments, guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds, the present bank and other facilities and the effect of the Disposal, the Group will have sufficient working capital for at least twelve (12) months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the (i) production and sale of metallised packaging paper and provision of related processing services for cigarette package manufacturers; (ii) new energy operations, which includes the production and sale of steam for industrial use, heating and electricity; and (iii) trading of household paper products in the PRC.

In 2022, the global economy continued to pick up from the impact of COVID-19 pandemic. Since the pandemic had been largely contained in the PRC, industrial production and economic activities have gradually recovered to pre-pandemic level. The country's economy showed resilience as it witnessed a full-year GDP expansion of approximately 8.1% in 2021, which has exceeded the government's target of 6%. The PRC's economy continued to recover as the country's GDP for the six months ended 30 June 2022 increased by approximately 2.5% as compared to the corresponding period in 2021.

In 2022, the Group's cigarette packaging business continued to face challenging market environment in view of the PRC government's effort in the structural reform of the tobacco industry, which included cigarette control, promotion of mental and physical health, and cancer prevention.

Upon Completion, the Group will continue to focus on its other core businesses, including the new energy operations and the trading of household paper products in the PRC.

New energy operation segment

The new energy operation segment of the Group engages in the production and sale of steam for industrial use, heating and electricity in the PRC. The Group provides integrated services solutions for high-efficiency clean coal technology, clean production, energy saving, and environmental protection. Through these solutions, the Group has helped the PRC's clean energy industry to transform, upgrade and tackle the long-existing heating supply problem in urban areas and industrial parks.

For the years ended 31 December 2020 and 2021, the new energy operation segment recorded revenue of approximately RMB115.4 million and RMB156.6 million, and segment profit of approximately RMB22.8 million and RMB55.7 million, respectively. The continued development of the domestic economy and industrial activities has prompted a substantial growth in energy demand, especially from industrial parks. With the industrial and manufacturing activities slowly returning to pre-pandemic level and favourable government policies to drive investment in clean energy, the Group witnessed an increasing application of combined heat and power, which subsequently boosted the investment in total installed generation capacity in the PRC. The Group's new energy business is currently focused in Shandong Province. In order to capture the aforesaid growth of clean energy demand, the Group contemplates to expand to Dongbei and Huabei areas.

Household paper products segment

The Group's household paper products segment trades household paper products in the PRC. The Group's household paper products business currently has over 400 corporate customers, with sales network spanning across Heilongjiang, Jilin, Liaoning, Hebei, Henan, Shandong, Shaanxi, Jiangsu and Anhui Provinces, Beijing and Tianjin. The Group's expansion plan is to increase penetration into such areas, enhance product portfolio and expand sales channel to commercial and medical use.

For the years ended 31 December 2020 and 2021, the Group's household paper products segment recorded revenue of approximately RMB235.9 million and RMB170.7 million, and segment profit of approximately RMB5.0 million and RMB16.7 million, respectively. The decrease in revenue for the year ended 31 December 2021 was mainly attributable to a higher base in sales in 2020 resulting from the robust consumer demand for household paper products amidst the outbreak of COVID-19.

In 2021, PRC's household paper production volume increased by approximately 8% and sales volume increased by approximately 10.7% as compared to 2020. The per capita household paper usage in China is approximately 8 kilogram, while comparing to the United State and European countries of approximately 29 kilogram and 16–17 kilogram, respectively. With the growing wealth and disposable income of people in China, living standard and health awareness continued to increase, which will continue to drive the

demand for high-quality household paper products, in particular since the outbreak of COVID-19. Hence, it is expected the PRC household paper industry has plenty of room for growth.

The resurgence of the infections and the new Delta and Omicron variants posed new threats to the many economies across the world. Nonetheless, it is expected the PRC government will roll out a series of fiscal and monetary support to various industries to boost domestic consumption, in particular, after the government announced its target to expand the PRC economy by 5.5% in 2022. Looking ahead, the Group will remain prudent and will continue to explore opportunities in its new energy operations and household paper product trading businesses to adapt to market fluctuations with the aim of maximising investment returns for the Shareholders.

6. EFFECTS OF THE DISPOSAL ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

As at 31 December 2021, the audited consolidated total assets of the Group amounted to approximately RMB668,849,000 and the audited consolidated total liabilities of the Group amounted to approximately RMB328,728,000.

As at 31 December 2021, the audited total assets and total liabilities of the Target Group amounted to approximately RMB218,230,000 and approximately RMB167,451,000, respectively. Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial information of the Target Group will no longer be consolidated into the Group's consolidated financial statements.

As regards earnings of the Group as a result of the Disposal, the Company expects to recognise an unaudited estimated disposal loss of approximately HK\$5,380,000 calculated with reference to (i) the total Consideration of HK\$49,000,000 under the Disposal; (ii) the unaudited consolidated net asset value of the Target Group in the amount of approximately RMB44,900,000 (equivalent to approximately HK\$53,880,000) as at 30 June 2022; and (iii) the estimated related transaction expenses payable by the Company in connection with the Disposal. Shareholders should note that the actual loss from the Disposal will depend on, among others, (i) the carrying value of the assets of the Target Group as at the date of Completion; and (ii) the transaction cost for the Disposal, and therefore may be different from the amount mentioned above.

Notwithstanding the expected disposal loss will be recognised as a result of the Disposal, given that the Target Group has been making losses for the financial years ended 31 December 2020 and 2021 and the operating environment of the Target Group has become more difficult in light of the government policies, the Directors believe that the Disposal will have a positive impact on the Group's earnings overall.

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 Company. 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, not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and Chief Executive's Interests in the Securities of the Company and its Associated Corporations

As at the Latest Practicable Date, the following Directors or chief executive of the Company had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

Interests in the Company

Name	Capacity	Number of Shares held (long position)	Approximate percentage of interests
Mr. Chen Shuming ("Mr. Chen") (<i>Note</i>)	Interest in a controlled corporation	350,000,000	64.09%

Note: Mr. Chen beneficially owns 100% of the issued share capital of Champion Alliance International Corporation, a company incorporated in the British Virgin Islands with limited liability. Therefore, Mr. Chen is deemed, or taken to be, interested in the same number of the Shares held by Champion Alliance International Corporation for the purpose of the SFO.

Interests in Associated Corporation of the Company

Name	Name of associated corporation	Capacity	Number of Shares held	Approximate percentage of interests
Mr. Chen	Champion Alliance International Corporation	Beneficial owner	1	100%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions 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) (i) which 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' Interests in the Shares of the Company

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Total number of Shares held (long position)	Approximate percentage of interests
Champion Alliance International Corporation	Beneficial owner (Note 1)	350,000,000	64.09%
Ms. Chen Xiuchun	Interest of spouse (Note 2)	350,000,000	64.09%
CM Asset Management (Hongkong) Company Limited	Investment manager	45,704,000	8.37%

Name	Capacity	Total number of Shares held (long position)	Approximate percentage of interests
Shareholder Value Fund	Beneficial owner	45,704,000	8.37%

Notes:

1. These Shares are beneficially owned by Champion Alliance International Corporation, which is wholly-owned by Mr. Chen. Mr. Chen is also a director of Champion Alliance International Corporation.
2. Ms. Chen Xiuchun is the spouse of Mr. Chen, who in turn beneficially owns the entire issued share capital of Champion Alliance International Corporation, and is deemed to be interested in all the Shares in which Mr. Chen is interested pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, all Directors have entered into letters of appointment or service contracts with the Company. None of the Directors had entered, or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and which are, or may be, material to the Group:

- (a) the Agreement; and;
- (b) an acquisition agreement dated 8 July 2021 entered into between, among others, 冠均華盈(山東)新能源有限公司 (for transliteration purpose only, Champion Alliance (Shandong) New Energy Limited Company), an indirect 97% owned subsidiary of the Company, 山東瑞奧特投資有限公司 (for transliteration purpose only, Shandong Ruiaote Investment Company Limited) and 青島芬寶利國際貿易有限公司 (for transliteration purpose only, Qingdao Fenbaoli International Trade Company Limited) in relation to the acquisition of 51% equity interest in 中煤東能(山東)清潔能源有限公司 (for transliteration purpose only, China Coal Dongneng (Shandong) Clean Energy Company Limited) for a total consideration of RMB102,940,000 (equivalent to HK\$123,528,000).

9. GENERAL

- (a) The company secretary of the Company is Ms. Leung Mei King. Ms. Leung Mei King is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands.
- (c) The Company's headquarters in the PRC is at Dongping Economic Development Zone, Shandong Province, PRC and the Hong Kong principal place of business of the Company is at Room A, 17th Floor, Capitol Centre Tower 2, 28 Jardine's Crescent, Causeway Bay, Hong Kong.
- (d) The share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS ON DISPLAY

A copy of the Agreement will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.championshipintl.com>) for not less than 14 days from the date of this circular (both days inclusive).