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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)**

### **DISCLOSEABLE TRANSACTION**

#### **LEASE AGREEMENT**

The Board is pleased to announce that on 6 November 2023 (after trading hours of the Stock Exchange), the Lessor, a 51% indirectly owned subsidiary of the Company, entered into the Lease Agreement with the Lessee, pursuant to which the Lessor agreed to lease the Factory, Equipment and the Land to the Lessee for a period from the Handover Date to 31 December 2026.

#### **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Lease Agreement is more than 5% but less than 25%, the entering into of the Lease Agreement constitutes a discloseable transaction on the part of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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The principal terms of the Lease Agreement are as follows:

- Date: 6 November 2023 (after trading hours of the Stock Exchange)
- Parties: (1) The Lessor, a 51% indirectly owned subsidiary of the Company, as lessor; and
- (2) the Lessee, an Independent Third Party, as lessee.

The Lessor is a 51% indirectly owned subsidiary of the Company and is a company established in the PRC with limited liability. Prior to the entering into of the Lease Agreement, the Lessor is principally engaged in new energy operations which includes the production and sale of steam for industrial use, urban heating and electricity supply.

The Lessee is a company established in the PRC with limited liability and is a state-owned enterprise. The Lessee is principally engaged in heat production and supply; power generation and transmission business; power supply (distribution) business; electrical installation services, heating business; hydroelectric power. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Lessee and its ultimate beneficial owner(s) are Independent Third Parties.

### **Subject matter**

The Lessor agreed to lease the Factory, Equipment and the Land on a "as is" basis to the Lessee for a period from the Handover Date to 31 December 2026. The lease period may be extended or adjusted by mutual agreement between the parties to the Lease Agreement.

The handover of the Factory and Equipment shall complete by 15 November 2023.

### **Rental deposit and rent**

The Lessee shall pay to the Lessor a rental deposit in the amount of RMB2.2 million by 15 November 2023. If the Lessee breaches the Lease Agreement or causes any losses to the Lessor, the Lessor has the right to deduct the relevant amount from the rental deposit. When the lease term expires or the Lease Agreement is early terminated, the Lessor shall return the rental deposit (or its remaining balance and without interest) to the Lessee.

Under the Lease Agreement, the Lessee shall pay a monthly rent (i) in the amount of RMB1.1 million for the period from the Handover Date up to 31 December 2024; (ii) in the amount of RMB1.133 million for the period from the 1 January 2025 up to 31 December 2025; and (iii) in the amount of RMB1.167 million for the period from the 1 January 2026 up to 31 December 2026.

The monthly rent was agreed between the Lessor and the Lessee after arm's length negotiation and with reference to the rental arrangement which was existing between the Lessor and Shandong New Energy, an indirect wholly owned subsidiary of the Company, immediately prior to the entering into of the Lease Agreement, pursuant to which the Lessor leased the Factory, Equipment and the Land to Shandong New Energy at a monthly rent of RMB1.1 million.

### **Ownership of the Factory, Equipment and the Land**

The Lessor owns the legal title of the Factory, Equipment and the land use right of the Land at all times. The Lessee has no rights to the Factory, Equipment and the Land other than as a lessee to use the Factory, Equipment and the Land.

### **INFORMATION OF THE FACTORY, EQUIPMENT AND THE LAND**

The Factory is situated at Dongping Economic Development Zone (東平縣經濟發展區), Tai'an City, Shandong Province, with a total area of 87,276 m<sup>2</sup>.

The Equipment consists of 3 sets of steam boilers, 3 sets of steam turbine generator set, 3 sets of desulfurization and denitrification equipment, and 1 set of water treatment equipment.

The Land is situated at Dongping Economic Development Zone, Tai'an City, Shandong Province, with plot No. 370923202100028, No. 370923201800052, No. 370923201800053, with a total area of 87,276 m<sup>2</sup> and can be used for industrial purpose.

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

The Group is principally engaged in (i) new energy operations which includes the production and sale of steam for industrial use, urban heating and electricity supply; and (ii) sale of household paper products and hygiene products.

Immediately prior to the entering into of the Lease Agreement, the Factory, Equipment and the Land was leased by the Lessor to Shandong New Energy, an indirect wholly owned subsidiary of the Company, at a monthly rent of RMB1.1 million.

Prior to the entering into of the Lease Agreement, the Lessor is principally engaged in new energy operations which includes the production and sale of steam for industrial use, urban heating and electricity supply. Such business of the Lessor falls under government utility project and industrial zone basic infrastructure project and therefore the Lessor, in cooperation with the request of the local government, agreed to lease the Factory, Equipment and the Land to the Lessee.

The Lease Agreement is made at the request of the local government, the terms of the Lease Agreement, including the rent, have been arrived at after arm's length negotiations between the parties to the Lease Agreement and the Lease Agreement will create a new revenue stream for the Group. Taking into account of the above, the Directors are of the view that the terms of the Lease Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Lease Agreement is more than 5% but less than 25%, the entering into of the Lease Agreement constitutes a discloseable transaction on the part of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **BUSINESS UPDATE**

Upon the entering into of the Lease Agreement, the Lessor and Shandong New Energy ceased to operate the new energy business during the period of Lease Agreement and will lease the Factory, Equipment and the Land to the Lessee and receive rental income as a landlord under the Lease Agreement. Such change of business model will not affect the revenue and profits recorded by the Group under the new energy operations business segment for the ten months ended 31 October 2023 and therefore will not have any material adverse effect on the annual results of the Group for the year ending 31 December 2023.

As at the date of this announcement, Shandong New Energy and the Lessee entered into a coal supply framework agreement pursuant to which Shandong New Energy agreed to supply coal to the Lessee at the prevailing market price according to the demand of the Lessee for the operation of the Factory for a term of three years up to 31 October 2026. The Lessee is expected to require 100,000 to 120,000 tons of coal per annum and will place order with Shandong New Energy for the supply of coal from time to time pursuant to the coal supply framework agreement. It is expected that the Group will be able to increase its revenue stream and receive revenue income by supplying coal pursuant to the coal supply framework agreement and the coal supply framework agreement will be in the interests of the Company and the Shareholders as a whole.

Going forward, the Group will continue to carry on its existing businesses by formulation and implementation of its own business plans and strategies and leveraging its own business model, competitiveness and strengths so as to develop, maintain and enhance its existing businesses. The Company will also actively look for new business investment opportunity to diversify the businesses of the Group, which will be viable and sustainable and will be able to enhance the value of the Group and maximise the return to the Shareholders.

## DEFINITIONS

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

“Board”	the board of Directors
“Company”	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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Equipment”	It consists of 3 sets of steam boilers, 3 sets of steam turbine generator set, 3 sets of desulfurization and denitrification equipment, and 1 set of water treatment equipment
“Factory”	中煤東能 (山東) 清潔能源有限公司 (for transliteration purpose only, China Coal Dongneng (Shandong) New Energy Company Limited)
“Group”	the Company and its subsidiaries from time to time
“Handover Date”	the date of completion of handover of the Factory and Equipment to the Lessee under the Lease Agreement, which shall be by 15 November 2023
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Land”	中煤東能 (山東) 清潔能源有限公司 (for transliteration purpose only, China Coal Dongneng (Shandong) New Energy Company Limited)
“Lease Agreement”	the lease agreement dated 6 November 2023 and entered into between the Lessor and the Lessee in relation to the leasing of the Factory, Equipment and the Land by the Lessor to the Lessee

“Lessee”	山東東原新能源技術有限公司 (for transliteration purpose only, Shandong Dongyuan New Energy Technology Company Limited), a state-owned enterprise established in the PRC with limited liability
“Lessor”	中煤東能 (山東) 清潔能源有限公司 (for transliteration purpose only, China Coal Dongneng (Shandong) New Energy Company Limited), a company established in the PRC with limited liability and a 51% indirectly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shandong New Energy”	冠均華盈 (山東) 新能源有限公司 (for transliteration purpose only, Champion Alliance Huaying (Shandong) New Energy Company Limited), a company established in the PRC with limited liability and an indirect wholly owned subsidiary of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**Champion Alliance International Holdings Limited**  
**Chen Shuming**  
*Chairman and Executive Director*

Hong Kong, 6 November 2023

*As at the date of this announcement, the Board comprises Mr. Chen Shuming, Mr. Chen Xiaolong, Mr. Hu Enfeng and Mr. Zhang Shihua as executive directors and Mr. Chen Hua, Mr. Zhao Zhendong and Mr. Chin Chi Ho Stanley as independent non-executive directors.*