THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 together with the accompanying form of proxy 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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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

Lego Corporate Finance Limited
力高企業融資有限公司

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 13 of this circular.

The Company has received a written approval of the Acquisition by Champion Alliance, which holds 350,000,000 Shares, representing 70% of the total issued Shares as at the Latest Practicable Date, in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

30 July 2021

CONTENTS

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

"Acquisition"	the acquisition of the Sale Capital by the Purchaser from the Vendors
"Agreement"	the agreement dated 8 July 2021 entered into between the Vendors, the Target Company and the Purchaser in relation to the Acquisition
"Announcement"	the announcement of the Company dated 8 July 2021 in relation to the Acquisition
"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 70% of the issued share capital of the Company as at the Latest Practicable Date
"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
"Completion"	completion of the Acquisition in accordance with the terms of the Agreement
"Completion Date"	the date falling within 3 Business Days after the fulfilment (or waiver, as the case may be) of all conditions precedent under the Agreement
"Consideration Shares"	a total of 46,092,537 new Shares to be allotted and issued to the Vendors at the Issue Price of HK$2.68 per Share for full settlement of the consideration for the Acquisition
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged immediately after the Completion

"General Mandate"	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 1 June 2021, among other things, to allot, issue and deal with up to 100,000,000 Shares, being 20% of the then issued share capital of the Company as at 1 June 2021
"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
"Issue Price"	HK$2.68, being the issue price per Consideration Share
"Last Trading Day"	8 July 2021, being the last trading day of the Shares on the Stock Exchange immediately before the entering into of the Agreement
"Latest Practicable Date"	27 July 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	冠均華盈(山東)新能源有限公司 (for transliteration purpose only, Champion Alliance (Shandong) New Energy Limited Company), a company established in the PRC with limited liability and an indirect 97% owned subsidiary of the Company
"Qingdao Fenbaoli"	青島芬寶利國際貿易有限公司 (for transliteration purpose only, Qingdao Fenbaoli International Trade Company Limited), a company established in the PRC with limited liability and one of the Vendors under the Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Capital"	51% equity interest in the Target Company held by the Vendors in aggregate

"Shandong Ruiaote"	山東瑞奥特投資有限公司 (for transliteration purpose only, Shandong Ruiaote Investment Company Limited), a company established in the PRC with limited liability and one of the Vendors under the Agreement
"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
"Target Company"	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), a company established in the PRC with limited liability
"Track Record Period"	the three years ended 31 December 2020 and the four months ended 30 April 2021
"Vendors"	collectively, Shandong Ruiaote and Qingdao Fenbaoli
"Warranties"	the warranties and representations given by the Vendors in the Agreement
"%"	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.

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
Ms. Wu Cheuk Yan
Mr. Zhang Shihua
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

30 July 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

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

The purpose of this circular is to provide you with, *inter alia*, (i) further details of the Acquisition; (ii) the financial information of the Group; (iii) the accountants' report of the Target Company; (iv) the management discussion and analysis of the Target Company; (v) the unaudited pro forma financial information of the Enlarged Group; and (vi) other information as required under the Listing Rules, for information only.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date: 8 July 2021 (after the trading hours)

Parties:
(1) The Purchaser (as the purchaser);
(2) Shandong Ruiaote (as the first vendor);
(3) Qingdao Fenbaoli (as the second vendor); and
(4) the Target Company.

The Purchaser is an indirect 97% owned subsidiary of the Company and is principally engaged in production and sale of steam for industrial use, heating and electricity in the PRC.

The Target Company is a company established in the PRC and is registered to principally engage in the production and supply of electricity, construction, management and operation of steam and other power stations and generation equipment in the PRC based on its business license. As at the Latest Practicable Date, the Target Company is owned as to 70% by Shandong Ruiaote and 30% by Qingdao Fenbaoli respectively. For further details, please refer to the section headed "Information of the Target Company" in this letter from the Board.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Shandong Ruiaote is wholly-owned by Mr. Su Shubao and is principally engaged in the provision of financing guarantee and other financial services; (ii) Qingdao Fenbaoli is wholly-owned by Mr. Zhang Canzhi and is principally engaged in the trading of pulp, paper and paper products; and (iii) each of Shandong Ruiaote, Qingdao Fenbaoli, the Target Company and their ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be acquired

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Capital (as to 21% equity interest in the Target Company by Shandong Ruiaote and 30% equity interest in the Target Company by Qingdao Fenbaoli respectively), representing in aggregate 51% equity interest in the Target Company.

Consideration

The total consideration for the Acquisition shall be RMB102,940,000 (equivalent to HK$123,528,000).

The consideration will be payable by the Purchaser procuring the Company to allot and issue to the Vendors the Consideration Shares (as to 18,979,280 Consideration Shares to Shandong Ruiaote and 27,113,257 Consideration Shares to Qingdao Fenbaoli respectively), being in aggregate 46,092,537 new Shares at the Issue Price of HK$2.68 per Share after Completion and on or before 31 October 2021 (or such later date as agreed between the Purchaser and the Vendors).

The consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendors having taking into consideration (i) the net asset value of the Target Company in the amount of approximately RMB170.2 million as at 30 April 2021; (ii) the aggregate fair value of the (a) right-of-use assets and (b) the machineries and equipment of the Target Company of approximately RMB262.0 million as at 30 April 2021 as assessed by an independent valuer, the valuation reports of which are set out in Appendix V and Appendix VI to this circular respectively, representing an unaudited fair value gain of approximately RMB22.1 million as compared to the book value as at 30 April 2021; and (iii) the benefits of the Acquisition to the development of the Group's new energy business as detailed in the section headed "Reasons for and benefits of the Acquisition" in this letter from the Board.

Consideration Shares

The Consideration Shares represent (i) approximately 9.22% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 8.44% of the share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company from the Latest Practicable Date and up to Completion and issue of the Consideration Shares). The Consideration Shares will be allotted and issued pursuant to the General Mandate. The allotment and issue of the Consideration Shares will not result in change in control of the Company.

The maximum number of Shares that can be issued under the General Mandate is 100,000,000 Shares. As at the Latest Practicable Date, the General Mandate has not been utilised. Accordingly, the General Mandate is sufficient for the allotment and issue of the Consideration Shares and is not subject to the Shareholders' approval.

The Issue Price of HK$2.68 per Share represents:

(a) a discount of approximately 0.74% to the closing price of HK$2.70 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 19.76% to the average closing price of HK$3.34 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Day;

(c) a discount of approximately 10.37% to the average closing price of approximately HK$2.99 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days immediately prior to the Last Trading Day; and

(d) a discount of approximately 2.19% to the closing price of HK$2.74 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined after arm's length negotiations between the Purchaser and the Vendors with reference to the recent market prices of the Share during June and July 2021 up to the Last Trading Day. In particular, the Directors have considered that, prior to entering into the Agreement, the closing Share price has remained at HK$2.90 per Share for a long period of time from February to early June 2021 and dropped to HK$2.75 per Share during 7 June 2021 to 21 June 2021. Further, it was noted that not until shortly before the Last Trading Day (i.e. 22 June 2021 to 8 July 2021) that the closing Share price became volatile, fluctuating between HK$2.70 and HK$3.45. The Directors were not aware of any reasons for such volatile Share price movement. In light of the volatile Share price shortly prior to the Last Trading Day, the Directors consider it more propriate to determine the Issue Price based on the Share price performance during 1 to 21 June 2021 and not to take into account of the Share price performance from 22 June 2021 to 8 July 2021, which had an average closing price of HK$2.79 per Share. The Issue Price represented a slight discount of approximately 3.9% to the average closing Share price during 1 to 21 June 2021. Further, after arm's length negotiation between the Purchaser and the Vendors, the parties agreed that the Issue Price should be set at a slight discount to the market price given the low liquidity of the Shares. In view of the above, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and on normal commercial terms.

Conditions precedent

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

(1) the Shareholders having approved the Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules;

(2) all necessary governmental, regulatory and other third parties' consents and approvals required to be obtained on the part of the Vendors and the Target Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(3) all necessary governmental, regulatory and other third parties' consents and approvals required to be obtained on the part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(4) the Company having obtained the approval from the Stock Exchange for the listing of and permission to deal in the Consideration Shares and such approval not having been revoked or withdrawn before the Completion Date;

(5) the Purchaser being satisfied with the results of the due diligence review to be conducted in relation to the Target Company;

(6) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser designated by the Purchaser in relation to the Agreement and the transactions contemplated thereunder;

(7) from the date of the Agreement and up to the Completion Date, no events having occurred which may result in any material adverse effect on the Target Company; and

(8) from the date of the Agreement and up to the Completion Date, the Warranties remaining true and accurate and not misleading.

The Purchaser may at its absolute discretion at any time waive in writing any of the above conditions (5), (7) and (8) and such waiver may be made subject to such terms and conditions as may be determined by the Purchaser. Other than conditions (5), (7) and (8), all other conditions set out above are not waivable. If the conditions set out in the Agreement have not been satisfied (or as the case may be, waived) on or before 5:00 p.m. on 30 September 2021 (or such later time and/or date as may be agreed between the Vendors 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 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 condition (1) has already been fulfilled whereas all other conditions above remain unfulfilled.

Completion

Completion shall take place within 3 Business Days (or such later date as agreed between the Purchaser and the Vendors) after fulfilment (or waiver, as the case may be) of all the conditions precedent under the Agreement, upon which the Vendors will procure the Target Company to complete the industrial and commercial registration for the transfer of 51% equity interest in the Target Company from the Vendors to the Purchaser.

After Completion, (i) the Target Company shall be owned as to 51% by the Purchaser and 49% by Shandong Ruiaote respectively; (ii) the Target Company will be a non-wholly owned subsidiary of the Company; and (iii) the financial results of the Target Company will be consolidated into the financial statements of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC and is registered to principally engage in the production and supply of electricity, construction, management and operation of steam and other power stations and generation equipment in the PRC based on its business license.

The Target Company has ceased operation since 2019. On 31 December 2018, the Target Company entered into a rental agreement with the Purchaser pursuant to which the Target Company agreed to lease to the Purchaser the plant and equipment owned by the Target Company with a monthly rental fee in the amount of RMB1.0 million for the term which commenced from 1 January 2019 and ended on 31 December 2019. The rental agreement has since then been renewed annually, and under the current rental agreement for the term commencing from 1 January 2021 and ending on 31 December 2021, the monthly rental fee is RMB1.1 million. The plant and equipment are located in Dongping Economic Development Zone, PRC on three pieces of land of which the Target Company has the right-of-use for 50 years and with a total area of 87,276 square meters, and mainly comprise (i) three pulverised coal boilers with a total annual steam production capacity of 2.45 million tons; (ii) three steam turbine generators with a total annual electricity generation capacity of 473 million kilowatt; and (iii) other ancillary equipment and facilities. The Purchaser has been using the plant and equipment of the Target Company for the production and sale of steam for industrial use, heating and electricity.

As at the Latest Practicable Date, (i) the Target Company is owned as to 70% by Shandong Ruiaote and 30% by Qingdao Fenbaoli respectively; and (ii) the Target Company has a registered capital of RMB200 million, of which RMB110 million was paid up by Shandong Ruiaote up to the date of the Agreement. Accordingly, Shandong Ruiaote and Qingdao Fenbaoli have unpaid share capital of RMB30 million and RMB60 million in the Target Company respectively. It was agreed among the parties to the Agreement that Shandong Ruiaote, which will remain as a shareholder of the Target Company after Completion, shall pay up its original portion of the unpaid share capital of RMB30 million, while the Purchaser will be bear the unpaid share capital owed by Qingdao Fenbaoli, which will no longer be a shareholder of the Target Company upon Completion (the "**Commitment**"). The unpaid share capital of the Target Company shall be paid up by the deadline as stipulated in the articles of association of the Target Company, being 31 December 2050. Based on the aforesaid and the fact that the RMB60 million share capital payable by the Purchaser represents 30% of the total registered capital, which is less than the 51% equity interest in the Target Company acquired by the Purchaser, the Company considers that the allocation of the Commitment between the Company and Shandong Ruiaote is fair and reasonable so far as the Company is concerned. The Company's legal advisers as to PRC law advised that such allocation of the Commitment does not violate the articles of association of the Target Company and the Company Law of the PRC (中華人民共和國公司法).

Champion Alliance (Shandong) New Energy Limited Company, an indirect non-wholly owned subsidiary of the Company, has agreed to undertake to provide financial support in form of loan in an aggregate principal amount of RMB34,000,000 to the Target Company, that is unsecured and repayable by 30 October 2022, with an interest rate of 4% per annum, which the Directors (including the independent non-executive Directors) consider are on normal commercial terms. The loan is mainly for the purpose of settling the expenses in connection with the construction fee payable to contractors and working capital needs of the Target Company. While such loan is not provided by the shareholders of the Target Company in proportion to their shareholdings upon Completion, having considered that (i) given the proceeds of the loan will be mainly used to settle the construction cost and maintenance expenses of the plant and equipment of the Target Company in order to upgrade and/or maintain the production facilities of the Group's new energy business; and (ii) the terms of the loan are on normal commercial terms, the Directors consider such arrangement to be fair and reasonable.

The audited financial information of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020 respectively and for the four months ended 30 April 2021 are set out below:

	For the year ended/ As at 31 December 2019 *(RMB'000)* (audited)	**For the year ended/ As at 31 December 2020** *(RMB'000)* (audited)	**For the four months ended/As at 30 April 2021** *(RMB'000)* (audited)
Revenue	11,067	11,015	4,037
Net profit/(loss) before taxation	3,005	(144)	(29)
Net profit/(loss) after taxation	3,005	(144)	(29)
Net assets	170,329	170,185	170,156

Note: The above financial figures of the Target Company have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The Company confirms that to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendors, any of its directors and legal representatives and/or any ultimate beneficial owners (including Mr. Su Shubao and Mr. Zhang Canzhi); and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the transaction.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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) production and sale of steam for industrial use, heating and electricity; and (iii) trading of household paper products in the PRC.

The Group has been leasing the plant and equipment from the Target Company as its only production facilities for its new energy operation. The Acquisition would allow the Group to gain control of the production facilities in order to secure the stable operation of its new energy operation, which in the long run will be beneficial to the business development of the Group. The Board considers that the Acquisition is in line with the overall business direction of the Group and will provide a good investment opportunity for the Company to expand, consolidate and strengthen its new energy operation by securing the long term usage of the production facilities of the Target Company and reducing the rental expenses of the new energy segment of the Enlarged Group because the rents payable to the Target Company will be eliminated in the consolidated accounts of the Enlarged Group after Completion.

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 Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Company will become an indirect 51%-owned subsidiary of the Company and thus the financial results, assets and liabilities of the Target Company will be consolidated into those of the Group. For details of the unaudited pro forma financial information on the Enlarged Group, please refer to Appendix IV to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming that Completion had taken place on 31 December 2020, the unaudited pro forma total assets of the Enlarged Group as at 31 December 2020 would have increased from approximately RMB433.0 million to approximately RMB708.3 million, while the unaudited pro forma total liabilities of the Enlarged Group would have increased from approximately RMB310.3 million to approximately RMB394.4 million. Accordingly, the unaudited pro forma net assets of the Enlarged Group would have increased from approximately RMB122.7 million to approximately RMB313.9 million.

Earnings

As set out in the accountants' report on the historical financial information of the Target Company in Appendix II to this circular, for the year ended 31 December 2020 and the four months ended 30 April 2021, the Target Company recorded a revenue of approximately RMB11.0 million and RMB4.0 million, and a net loss of approximately RMB0.1 million and RMB0.03 million, respectively.

Given that the revenue of the Target Company is mainly derived from the rental income under the rental agreement between the Purchaser and the Target Company, which will be eliminated in the consolidated accounts of the Enlarged Group, the Target Company is not expected to have a significant impact on the revenue and earnings of the Enlarged Group upon Completion.

APPLICATION FOR LISTING

The Company has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Consideration Shares. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the existing Shares in issue.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 500,000,000 Shares in issue. Set out below is the shareholding interests of the Company (i) as at the Latest Practicable Date; and (ii) immediately after Completion and issue of the Consideration Shares, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion and issue of the Consideration Shares:

	As at the Latest Practicable Date		**Immediately after Completion and issue of the Consideration Shares, assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion and issue of the Consideration Shares**	
	No. of Shares	*%*	*No. of Shares*	*Approximate %*
Major Shareholder				
Champion Alliance *(Note 1)*	350,000,000	70.0	350,000,000	64.09
Public Shareholders				
Shandong Ruiaote *(Note 2)*	–	–	18,979,280	3.48
Qingdao Fenbaoli *(Note 2)*	–	–	27,113,257	4.96
Other public Shareholders	150,000,000	30.0	150,000,000	27.47
Total	500,000,000	100.0	546,092,537	100.00

Notes:

1. Mr. Chen Shuming, the chairman of the Board and an executive Director, beneficially owns 100% of the issued share capital of Champion Alliance, a company incorporated in the British Virgin Islands with limited liability. Therefore, Mr. Chen Shuming is deemed, or taken to be, interested in the same number of the Shares held by Champion Alliance for the purpose of the SFO.

2. Upon Completion and issue of the Consideration Shares, Shandong Ruiaote and Qingdao Fenbaoli will own 18,979,280 and 27,113,257 Shares, representing approximately 3.48% and 4.96% of the issued share capital of the Company respectively and hence they will be public Shareholders.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction on the part of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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 Acquisition. The Company has received a written approval of the Acquisition by Champion Alliance, which holds 350,000,000 Shares, representing 70% of the total issued Shares 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 Acquisition.

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 Acquisition 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 Acquisition, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition at such general meeting.

Completion of the Acquisition is conditional upon fulfilment or waiver 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.

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 2018, 2019 and 2020 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 2018 published on 24 April 2019 (pages 63 to 115), available at:
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424388.pdf;

- 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;
and

- 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.

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2021, 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 Enlarged Group amounted to approximately RMB76,471,000, which comprised:

(i) unguaranteed bank and other borrowings of RMB41,296,000, which were secured by the followings:

- pledge of the Enlarged Group's certain property, plant and equipment;
- pledge of the Enlarged Group's investment property;
- pledge of the Enlarged Group's certain right-of-use assets; and
- pledge of the Enlarged Group's entire equity interest in a wholly-owned subsidiary;

(ii) unsecured and unguaranteed other payables of RMB34,142,000; and

(iii) unsecured and unguaranteed lease liabilities of approximately RMB1,033,000.

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 May 2021, the Enlarged 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, finance lease, 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 Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged 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 Enlarged Group since 31 December 2020, being the date to which the latest published audited accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED 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) production and sale of steam for industrial use, heating and electricity, and (iii) trading of household paper products in the PRC.

Although the outbreak of COVID-19 has hindered economic activities since early 2020, the demand for energy has been relatively less affected and has recorded a consistent growth in recent years, due to the continued development of economy and industrial parks and the increase in application of combined heat and power as supported by government policy. The Group's new energy business provides integrated services solutions for high-efficiency clean coal technology, clean production, energy saving, and environmental protection. Through these solutions, the Group helps the country's clean energy industry to transform and upgrade and tackle the long-existing heating supply problem in urban areas and industrial parks. For the year ended 31 December 2020, revenue of the new energy operation segment was approximately RMB115.4 million, representing an increase of approximately 14.1% as compared to 2019.

2020 was an exceptionally challenging year as COVID-19 swept across the world and brought permanent changes to nearly every aspect of our lives, where people have to adjust to new norms such as universal mask-wearing policy, frequent use of sanitisers, social distancing measures and web-based communication. Fortunately, China has once again shown its strength and resilience as an economic powerhouse. The country was the first major economy to recover from the outbreak of the COVID-19 and rose to greater prominence on the world stage. With the vaccination programme being rolled out in countries around the world, it is expected that the global economy will finally be back on track and see a substantial improvement in 2021. Despite that the domestic consumption growth fell behind investment and exports, total retail sales of consumer goods has been gaining momentum, showing a sign that the pandemic is tapering off. The Enlarged Group expects that the overall operating environment will further improve in 2021.

Upon Completion, the production and sale of steam for industrial use, heating and electricity will remain as one of the principal business segments of the Enlarged Group. The Acquisition would allow the Enlarged Group to gain control of the production facilities in order to secure the stable operation of its new energy operation, which in the long run will be beneficial to the business development of the Enlarged Group. As disclosed in the section headed "Reasons for and Benefits of the Acquisition" in the Letter from the Board, the Board considers that the Acquisition is in line with the overall business direction of the Enlarged Group and will provide a good investment opportunity for the Company to expand, consolidate and strengthen its new energy operation.

Looking forward, the Enlarged Group will continue to explore its household paper product and new energy operations. Through adopting diversification and tapping the enormous room for development brought by the growth in demand for domestic consumption and the rise of living standard, the Enlarged Group expects that the new operations will become a growth driver. Meanwhile, the Enlarged Group will also extend its market coverage for the cigarette packaging business through increased sales and marketing effort. New business models have emerged in various sectors during the pandemic and are anticipated to offer new support to the economic recovery and transformation. The Enlarged Group will continue to strive for better results and thus to maximise returns to shareholders and society through its peerless dedication to optimise its businesses.

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHINA COAL DONGNENG (SHANDONG) CLEAN ENERGY COMPANY LIMITED TO THE DIRECTORS OF CHAMPION ALLIANCE INTERNATIONAL HOLDINGS LIMITED

Introduction

We report on the historical financial information of China Coal Dongneng (Shandong) Clean Energy Company Limited (the "Target Company") set out on pages II-4 to II-37, which comprises the statements of financial position as at 31 December 2018, 2019 and 2020 and 30 April 2021, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended 31 December 2018, 2019 and 2020 and the four months ended 30 April 2021 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages II-4 to II-37 forms an integral part of this report, which has been prepared for inclusion in the circular of Champion Alliance International Holdings Limited (the "Company") dated 30 July 2021 (the "Circular") in connection with the proposed acquisition of 51% equity interest in the Target Company by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2018, 2019 and 2020 and 30 April 2021 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative historical financial information

We have reviewed the stub period comparative Historical Financial Information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 30 April 2020 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information and the Stub Period Comparative Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

BDO Limited
Certified Public Accountants
Wendy W.Y. Fong
Practising Certificate Number: P06821

Hong Kong
30 July 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report. The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA (the "Underlying Financial Statements") and were audited by BDO Limited.

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Four months ended 30 April	
		2018	2019	2020	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	7	63,666	11,067	11,015	3,670	4,037
Cost of sales		(53,176)	(8,962)	(9,320)	(3,089)	(3,621)
Gross profit		10,490	2,105	1,695	581	416
Other income and gains	8	2,546	3,536	706	207	182
Administrative expenses		(2,232)	(1,987)	(1,697)	(880)	(627)
Other expenses		(804)	(649)	(848)	(436)	–
Profit/(loss) before income tax	9	10,000	3,005	(144)	(528)	(29)
Income tax expense	12	(1,894)	–	–	–	–
Profit/(loss) and total comprehensive income for the year/period		8,106	3,005	(144)	(528)	(29)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 April
	Notes	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	14	97,956	146,573	206,943	215,518
Right-of-use assets	15	25,611	25,087	24,563	24,389
Prepayments for property, plant and equipment		14,787	34,126	16,231	9,942
Total non-current assets		138,354	205,786	247,737	249,849
CURRENT ASSETS					
Inventories	16	1,340	–	–	–
Trade receivables	17	53,289	39	–	223
Prepayments, deposits and other receivables	18	27,569	20,481	13,860	14,941
Cash and cash equivalents	19	10	979	2,712	25
Total current assets		82,208	21,499	16,572	15,189
CURRENT LIABILITIES					
Trade payables	20	2,370	–	–	–
Other payables and accruals	21	76,928	19,368	43,543	20,322
Income tax payable		1,894	1,449	1,449	1,449
Deferred government grants	22	524	524	524	524
Total current liabilities		81,716	21,341	45,516	22,295
NET CURRENT ASSETS/ (LIABILITIES)		492	158	(28,944)	(7,106)
TOTAL ASSETS LESS CURRENT LIABILITIES		138,846	205,944	218,793	242,743

		As at 31 December			As at 30 April
	Notes	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Other payables	21	1,106	11,000	24,517	48,670
Deferred government grants	22	25,139	24,615	24,091	23,917
Total non-current liabilities		26,245	35,615	48,608	72,587
NET ASSETS		112,601	170,329	170,185	170,156
EQUITY					
Share capital	23	95,609	110,000	110,000	110,000
Retained profits		13,682	16,687	16,543	16,514
Shareholder's contributions		3,310	43,642	43,642	43,642
TOTAL EQUITY		112,601	170,329	170,185	170,156

STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Retained profits *RMB'000*	Shareholder's contributions *RMB'000* *(Note)*	Total *RMB'000*
At 1 January 2018	20,000	5,576	3,310	28,886
Capital injection	75,609	–	–	75,609
Profit and total comprehensive income for the year	–	8,106	–	8,106
At 31 December 2018 and 1 January 2019	95,609	13,682	3,310	112,601
Capital injection	14,391	–	–	14,391
Shareholder's contributions	–	–	40,332	40,332
Profit and total comprehensive income for the year	–	3,005	–	3,005
At 31 December 2019 and 1 January 2020	110,000	16,687	43,642	170,329
Loss and total comprehensive income for the year	–	(144)	–	(144)
At 31 December 2020 and 1 January 2021	110,000	16,543	43,642	170,185
Loss and total comprehensive income for the period	–	(29)	–	(29)
At 30 April 2021	110,000	16,514	43,642	170,156
At 1 January 2020	110,000	16,687	43,642	170,329
Loss and total comprehensive income for the period (unaudited)	–	(528)	–	(528)
At 30 April 2020 (unaudited)	110,000	16,159	43,642	169,801

Note: Shareholder's contributions represent capital contributions by a former shareholder of the Target Company. This former shareholder provided interest free and unsecured loans to the Target Company and has undertaken not to demand repayment of any part of the loans from the Target Company in the foreseeable future. The shareholder's loans were accounted for as shareholder's contributions and included in equity of the Target Company.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2018	2019	2020	Four months ended 30 April 2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit/(loss) before income tax		10,000	3,005	(144)	(528)	(29)
Adjustments for:						
Depreciation of property, plant and equipment	14	5,569	7,516	8,796	2,914	3,447
Depreciation of right-of-use assets	15	396	524	524	174	174
Subsidy income	8	(362)	(524)	(524)	(174)	(174)
Cash flows before working capital changes		15,603	10,521	8,652	2,386	3,418
(Increase)/decrease in inventories		(450)	1,340	–	–	–
(Increase)/decrease in trade receivables		(49,436)	53,250	39	(151)	(223)
Decrease/(increase) in prepayments, deposits and other receivables		14,459	7,088	6,621	3,160	(1,081)
Increase/(decrease) in trade payables		2,232	(2,370)	–	–	–
Increase/(decrease) in other payables and accruals		7,868	(7,981)	10,675	2,962	(3,398)
Cash generated from operations		(9,724)	61,848	25,987	8,357	(1,284)
Income tax paid		–	(445)	–	–	–
Net cash generated from operating activities		(9,724)	61,403	25,987	8,357	(1,284)
Investing activities						
Purchase of property, plant and equipment		(70,023)	(56,133)	(69,166)	(27,208)	(12,022)
Decrease/(increase) in prepayments of property, plant and equipment		19,638	(19,339)	17,895	13,061	6,289
Purchase of right-of-use assets		(18,460)	–	–	–	–
Subsidy income received		18,460	–	–	–	–
Net cash used in investing activities		(50,385)	(75,472)	(51,271)	(14,147)	(5,733)

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Financing activities					
Capital injection	75,609	14,391	–	–	–
Increase in shareholder's contribution	–	40,332	–	–	–
(Decrease)/increase in amount due to a shareholder	(15,524)	(39,685)	4,996	4,996	–
Increase in amount due to a former shareholder	–	–	22,021	–	4,330
Net cash generated from financing activities	60,085	15,038	27,017	4,996	4,330
Net (decrease)/increase in cash and cash equivalents	(24)	969	1,733	(794)	(2,687)
Cash and cash equivalents at beginning of year/period	34	10	979	979	2,712
Cash and cash equivalents at end of year/period	10	979	2,712	185	25
Analysis of cash and cash equivalents:					
Cash and bank balances	10	979	2,712	185	25

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established in the mainland ("Mainland China") of the People's Republic of China (the "PRC") on 22 August 2014. The Target Company principally engaged in the production and supply of steam and electricity in Mainland China for the year ended 31 December 2018. Starting from 1 January 2019, the Target Company changed its principal activity to leasing of its plant and equipment to a subsidiary of the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information has been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis.

The Target Company incurred a loss of RMB144,000 and RMB29,000 for the year ended 31 December 2020 and period ended 30 April 2021 respectively. As at 31 December 2020 and 30 April 2021, the Target Company's current liabilities exceed its current assets by RMB28,944,000 and RMB7,106,000 respectively. Notwithstanding these conditions, the directors of the Company consider the Target Company will have sufficient working capital to finance its operations and financial obligations as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis after taking into consideration of the following:

i) Subsequent to the end of the reporting period, Champion Alliance (Shandong) New Energy Limited Company, an indirect non-wholly owned subsidiary of the Company, has agreed to undertake to provide financial support in form of loan in an aggregate principal amount of RMB34,000,000 to the Target Company, which is unsecured, interest-bearing at a fixed rate of 4% per annum and repayable by 30 October 2022.

In unlikely situation where the Agreement was terminated, the directors of the Target Company consider that the Target Company is still able to obtain sufficient working capital to finance its operations and financial obligations as and when they fall due to that:

i) A former shareholder of the Target Company has agreed to undertake to provide financial support in form of loan in an aggregate principal amount of not less than RMB30,000,000 to the Target Company.

Should the Target Company be unable to continue in business as a going concern, adjustments would have to be made to reduce the value of assets to their net realisable amounts, to provide for the further liabilities which might arise and to reclassify non-current assets to current assets.

3. ADOPTION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing the Historical Financial Information, the Target Company has consistently applied all HKFRSs which are effective for the accounting period commencing from 1 January 2021 throughout the Relevant Periods.

The following amendments to HKFRSs, potentially relevant to the Target Company, have been issued by the HKICPA, which are not yet effective and have not been early adopted by the Target Company in preparing this Historical Financial Information:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]
Amendments to HKAS 1	Disclosure of Accounting Policies[4]
Amendments to HKAS 8	Definition of Accounting Estimates[4]
Amendments to HKAS 12	Recognition of Deferred Tax Liabilities and Deferred Tax Assets[4]
Amendments to HKAS 16	Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards, HKFRS 9 Financial Instruments, HKFRS 16 Leases and HKAS 41 Agriculture[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

The directors of the Company do not anticipate that the application of the above amendments to HKFRSs will have material impact on the Target Company's financial statements and/or the disclosures to the Target Company's financial performance and position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of different categories of property, plant and equipment, other than construction in progress, are as follows:

Plant	20 years
Machinery	10 years
Furniture and fixtures	5 years
Motor vehicles	5 years

Construction in progress is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(b) Leasing

The Target Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessor

When the Target Company acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Target Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on the straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents, if any, are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

As a lessee

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on the straight-line basis over the following depreciation periods, which are the shorter of the lease terms and the estimated useful lives of the assets:

Leasehold land	50 years

If ownership of the leased asset is transferred to the Target Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The Target Company's right-of-use assets are separately presented on the face of the statement of financial position.

(c) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

(d) Financial assets

Initial recognition and measurement

Financial assets are all classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets (debt instruments) with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Company's business model for managing financial assets (debt instruments) refers to how it manages its financial assets (debt instruments) in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets (debt instruments), or both. Financial assets (debt instruments) classified and measured at amortised cost are held within a business model with the objective to hold financial assets (debt instruments) in order to collect contractual cash flows, while financial assets (debt instruments) classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets (debt instruments) which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment

The Target Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

(a) General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

(b) Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Target Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

(e) Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as financial liabilities measured at amortised cost, which are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(f) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand.

(i) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

(j) Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(k) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

(l) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with:

Where the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

(m) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of steam and electricity

Revenue from the sale of steam and electricity is recognised over time when the steam and electricity are supplied to and consumed by the customer. Revenue is recognised at the contractually stated price based on the steam and electricity consumption derived from meter readings.

Revenue from other sources

(a) Rental income is recognised on the straight-line basis over the lease terms.

(b) Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(n) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

(o) Employee benefits

Retirement benefit schemes

The employees of the Target Company are required to participate in a central pension scheme operated by the local municipal government. The Target Company is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(p) Related parties

(a) A person or a close member of that person's family is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Target Company's accounting policies, management has made the following key judgements, estimations and assumptions, which have the most significant effect on the amounts recognised in the Historical Financial Information:

(a) Impairment of non-financial assets

The Target Company assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Useful lives and residual values of property, plant and equipment

The Target Company's management determines the useful lives, residual values and related depreciation charges for the Target Company's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge when useful lives and residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

6. OPERATING SEGMENT INFORMATION

For management purposes, the Target Company is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the new energy operation segment engages in the production and sale of steam and electricity in Mainland China for the year ended 31 December 2018; and

(b) the property investment segment engages in Mainland China for the years ended 31 December 2019 and 2020 and four months ended 30 April 2020 and 2021.

Since there is only one operating segment of the Target Company in each reporting period, no further analysis thereof is presented.

Segment assets and liabilities

Segment assets and liabilities information is not disclosed as they are not regularly reviewed by the directors of the Target Company, who have been identified as the chief operating decision maker.

Geographical information

No geographical information is presented as the Target Company's revenue is solely derived from Mainland China and all of the Target Company's non-current assets were located in Mainland China.

Information about major customers

Details of external customers who individually contributed 10% or more to the Target Company's total revenue during the Relevant Periods and the revenue generated is set out below:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
New energy operation segment:					
Customer A	39,219	N/A	N/A	N/A	N/A
Customer B	8,703	N/A	N/A	N/A	N/A
Property investment segment:					
A subsidiary of the Company	N/A	11,067	11,015	3,670	4,037

Note: N/A represents that the revenue from the particular customer for the particular year/period accounted for less than 10% of the Target Company's revenue for the particular year/period.

7. REVENUE

An analysis of the Target Company's revenue is as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers:					
Recognised over time					
Sale of steam and electricity	63,666	N/A	N/A	N/A	N/A
Revenue from other sources:					
Recognised over the lease term					
Rental income	N/A	11,067	11,015	3,670	4,037
	63,666	11,067	11,015	3,670	4,037

Geographical market

All revenue from contracts with customers were generated in Mainland China.

Performance obligations

Sale of steam and electricity

The performance obligation is satisfied upon delivery of steam and electricity and payment is generally due within 30 to 150 days from delivery. For new customers, payment in advance is normally required.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of RMB868,000 as at 31 December 2018 is expected to be recognised as revenue within one year. The amount disclosed does not include variable consideration which is constrained.

8. OTHER INCOME AND GAINS

An analysis of the Target Company's other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	1	1	3	1	–
Subsidy income *(note 22)*	362	524	524	174	174
Government grants*	500	2,630	–	–	–
Other income	1,683	381	179	32	8
	2,546	3,536	706	207	182

* During the Relevant Periods, the Target Company obtained government grants from several PRC government authorities for air pollution control. There were no conditions to be fulfilled or contingencies related to these grants.

9. PROFIT/(LOSS) BEFORE INCOME TAX

The Target Company's profit/(loss) before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of inventories sold	37,875	–	–	–	–
Depreciation of property, plant and equipment *(note 14)*	5,569	7,516	8,796	2,915	3,447
Less: Amount included in cost of inventories sold	(4,632)	(7,516)	(8,796)	(2,915)	(3,447)
	937	–	–	–	–
Depreciation of right-of-use assets *(note 15)*	396	524	524	174	174
Less: Amount included in cost of inventories sold	–	(524)	(524)	(174)	(174)
	396	–	–	–	–
Auditor's remuneration	–	–	–	–	–
Employee benefit expense (excluding directors' remuneration *(note 10)*):					
Salaries, bonus and benefits in kind	3,206	123	440	211	198
Retirement benefit scheme contributions	167	2	20	9	7
	3,373	125	460	220	205
Less: Amount included in cost of inventories sold	(3,240)	–	–	–	–
	133	125	460	220	205

10. DIRECTORS' REMUNERATION

An analysis of the directors' remuneration of the Target Company, on a named basis, is as follows:

Year ended 31 December 2018

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of directors				
Mr. Qu Changbo*	–	–	–	–
Mr. Chen Yanshu#	–	–	–	–
Mr. Chen Ligong^	–	25	2	27
	–	25	2	27

* Mr. Qu Changbo was resigned on 15 January 2018.

\# Mr. Chen Yanshu was appointed on 15 January 2018 and resigned on 25 July 2018.

^ Mr. Chen Ligong was appointed on 25 July 2018.

Year ended 31 December 2019

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director				
Mr. Chen Ligong	–	11	–	11

Year ended 31 December 2020

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director				
Mr. Chen Ligong	–	67	5	72

Four months ended 30 April 2020 (Unaudited)

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director				
Mr. Chen Ligong	–	23	2	25

Four months ended 30 April 2021

	Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Name of director				
Mr. Chen Ligong	–	23	2	25

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

No emoluments were paid by the Target Company to any of the directors as (i) bonuses which are discretionary or based on the performance of the Target Company; (ii) an inducement to join or upon joining the Target Company; or (iii) compensation for loss of office during the Relevant Periods.

11. FIVE HIGHEST PAID INDIVIDUALS

During the Relevant Periods, of the five individuals with the highest emoluments in the Target Company, 1 was director of the Target Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining 4 individuals for the Relevant Period a as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	263	116	483	148	143
Retirement benefit scheme contributions	13	1	21	9	6
	276	117	504	157	149

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to HK$1,000,000	4	4	4	4	4

No emoluments were paid by the Target Company to any of the five highest paid individuals as (i) bonuses which are discretionary or based on the performance of the Target Company; (ii) an inducement to join or upon joining the Target Company; or (iii) compensation for loss of office during the Relevant Periods.

12. INCOME TAX EXPENSE

An analysis of the Target Company's income tax is as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current tax – Mainland China					
– tax for the year/period	1,894	–	–	–	–

Taxes on profits assessable in Mainland China have been calculated at 25% on the estimated assessable profits for the Relevant Periods, based on the prevailing legislation, interpretations and practices in respect thereof.

The income tax expense for the Relevant Periods can be reconciled to the profit/(loss) before income tax per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit/(loss) before income tax	10,000	3,005	(144)	(528)	(29)
Tax expense at the statutory tax rates	2,500	751	(36)	(132)	(7)
Tax effect of revenue not taxable for tax purposes	(125)	(658)	–	–	–
Tax effect of expenses not deductible for tax purposes	193	–	–	–	–
Tax effect of tax loss not recognised	–	38	36	132	7
Utilisation of tax losses previously not recognised	(390)	–	–	–	–
Others	(284)	(131)	–	–	–
Income tax expense	1,894	–	–	–	–

13. DIVIDENDS

No dividend was paid or declared by the Target Company during the Relevant Periods.

14. PROPERTY, PLANT AND EQUIPMENT

	Plant	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2018	4,737	9,636	–	78	20,302	34,753
Additions	5,048	55,711	–	13	9,251	70,023
Transfers	4,454	6,730	–	–	(11,184)	–
At 31 December 2018 and 1 January 2019	14,239	72,077	–	91	18,369	104,776
Additions	–	1,861	–	337	53,935	56,133
Transfers	140	–	–	–	(140)	–
At 31 December 2019 and 1 January 2020	14,379	73,938	–	428	72,164	160,909
Additions	21,901	23,236	63	3	23,963	69,166
Transfers	12,030	12,457	–	–	(24,487)	–
At 31 December 2020 and 1 January 2021	48,310	109,631	63	431	71,640	230,075
Additions	784	5,015	–	–	6,223	12,022
Transfers	30,422	42,355	–	–	(72,777)	–
At 30 April 2021	79,516	157,001	63	431	5,086	242,097
Accumulated depreciation:						
At 1 January 2018	375	847	–	29	–	1,251
Charge for the year	1,149	4,403	–	17	–	5,569
At 31 December 2018 and 1 January 2019	1,524	5,250	–	46	–	6,820
Charge for the year	1,336	6,133	–	47	–	7,516
At 31 December 2019 and 1 January 2020	2,860	11,383	–	93	–	14,336
Charge for the year	1,491	7,230	–	75	–	8,796
At 31 December 2020 and 1 January 2021	4,351	18,613	–	168	–	23,132
Charge for the year	872	2,546	4	25	–	3,447
At 30 April 2021	5,223	21,159	4	193	–	26,579
Net carrying amount:						
At 31 December 2018	12,715	66,827	–	45	18,369	97,956
At 31 December 2019	11,519	62,555	–	335	72,164	146,573
At 31 December 2020	43,959	91,018	63	263	71,640	206,943
At 30 April 2021	74,293	135,842	59	238	5,086	215,518

15. LEASES

As a lessor

At 31 December 2018, 2019 and 2020 and 30 April 2021, the undiscounted lease payments receivable by the Target Company in future periods under the non-cancellable operating lease with its tenant are as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	12,000	12,000	13,200

Right-of-use assets

	Leasehold land
	RMB'000
Cost:	
At 1 January 2018	7,731
Additions	18,460
At 31 December 2018, 2019 and 2020 and 30 April 2021	26,191
Accumulated depreciation:	
At 1 January 2018	184
Charge for the year	396
At 31 December 2018 and 1 January 2019	580
Charge for the year	524
At 31 December 2019 and 1 January 2020	1,104
Charge for the year	524
At 31 December 2020 and 1 January 2021	1,628
Charge for the year	174
At 30 April 2021	1,802
Net carrying amount:	
At 31 December 2018	25,611
At 31 December 2019	25,087
At 31 December 2020	24,563
At 30 April 2021	24,389

16. INVENTORIES

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	1,340	–	–	–

17. TRADE RECEIVABLES

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	53,289	39	–	223

Notes:

(a) The Target Company's trading terms with its customers for the sale of goods are mainly on credit. For new customers, payment in advance is normally required. The credit period is generally 60 days. Each customer has a maximum credit limit. Under normal circumstances, no credit period was granted to tenant of rental. The Target Company seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	12,155	–	–	223
1 to 2 months	4,498	–	–	–
2 to 3 months	5,055	–	–	–
3 to 4 months	13,173	–	–	–
Over 4 months	18,408	39	–	–
	53,289	39	–	223

(b) Impairment analysis

An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on the average of historical incurred credit loss experience on each ageing group of trade receivables. Generally, trade receivables are written off if they are not considered recoverable by the Target Company and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Target Company's trade receivables using a provision matrix:

As at 31 December 2018

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross trade receivables	16,653	5,055	13,173	18,408	53,289
Less: ECLs	–	–	–	–	–*
Net trade receivables	16,653	5,055	13,173	18,408	53,289
ECL rate	0.2%	0.6%	0.8%	0.9%	0.8%

As at 31 December 2019

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross trade receivables	–	–	–	39	39
Less: ECLs	–	–	–	–	–*
Net trade receivables	–	–	–	39	39
ECL rate	N/A	N/A	N/A	1.4%	1.4%

As at 30 April 2021

		Past due			
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross trade receivables	223	–	–	–	223
Less: ECLs	–	–	–	–	–*
Net trade receivables	223	–	–	–	223
ECL rate	0.5%	N/A	N/A	N/A	0.5%

* The directors of the Target Company is on the opinion that the ECLs of trade receivables as at 31 December 2018 and 2019 and 30 April 2021 is insignificant. Accordingly, no ECLs have been recognised in the financial statements.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	20,371	14,740	13,860	14,941
Prepayments	7,198	5,741	–	–
	27,569	20,481	13,860	14,941

Note: The financial assets included in the above balances relate to receivables for which there was no recent history of default. At 31 December 2018, 2019 and 2020 and 30 April 2021, the loss allowance was assessed to be minimal.

19. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	10	979	2,712	25

Note: Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. Cash at banks and in hand of the Company which were dominated in RMB and held in Mainland China. RMB is not a freely convertible currency. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Target Company is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

20. TRADE PAYABLES

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,370	–	–	–

Note: The trade payables are non-interest bearing and are normally settled on 30-day terms.

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	2,101	–	–	–
1 to 2 months	7	–	–	–
2 to 3 months	–	–	–	–
3 to 4 months	–	–	–	–
Over 4 months	262	–	–	–
	2,370	–	–	–

21. OTHER PAYABLES AND ACCRUALS

		As at 31 December			As at 30 April
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	(a)	868	–	–	–
Other payables	(b)	35,355	22,973	34,595	35,535
Amount due to a shareholder	(c)	41,795	2,110	–	–
Amount due to a former shareholder	(c)	–	–	29,127	33,457
Receipt in advance		–	5,285	4,338	–
Accruals		16	–	–	–
		78,034	30,368	68,060	68,992

Movements in contract liabilities are as follows:

	As at 31 December			As at 30 April
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	–	868	–	–
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(18,765)	–	–	–
Decrease in contract liabilities as a results of refund of deposits	–	(876)	–	–
Increase in contract liabilities as a result of receiving deposits	19,633	8	–	–
As at year/period end	868	–	–	–

Notes:

(a) Contract liabilities represented advance payments received from customers for the sale of steam and electricity which will be recognised as revenue as the performance obligation is satisfied.

(b) Other payables are non-interest-bearing and have an average term of three months.

(c) The shareholder, 東順國際貿易集團有限公司, has ceased to be a shareholder of the Target Company on 24 April 2020. The amount as at 31 December 2020 is unsecured, interest-free and repayment on demand. The amount as at 30 April 2021 is unsecured, interest-free and the former shareholder has agreed that it will not demand repayment of such amount up to 31 October 2022.

22. DEFERRED GOVERNMENT GRANTS

The balance as at 31 December 2018, 2019 and 2020 and 30 April 2021 included subsidies received from a government authority in Mainland China for the purchase of lands to support the development of the sale of steam and electricity business of the Target Company. The subsidies are interest-free and will be amortised over the expected useful lives of the lands in accordance with the Target Company's accounting policy set out in note 4(m) to the Historical Financial Information.

23. SHARE CAPITAL

	RMB'000
Registered:	
Ordinary shares at RMB1 each	
As at 1 January 2018	50,000
Increased in registered share capital	150,000
As at 31 December 2018, 2019 and 2020 and 30 April 2021	200,000
Paid-up capital:	
As at 1 January 2018	20,000
Capital injection	75,609
As at 31 December 2018 and 1 January 2019	95,609
Capital injection	14,391
As at 31 December 2019 and 2020 and 30 April 2021	110,000

24. NOTES TO THE STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

	Included in other payables and accruals
	Amount due to a shareholder/former shareholder *RMB'000*
At 1 January 2018	57,319
Change from cash flows:	
Decrease in amount due to a shareholder	(15,524)
At 31 December 2018 and 1 January 2019	41,795
Change from cash flows:	
Decrease in amount due to a shareholder	(39,685)
At 31 December 2019 and 1 January 2020	2,110
Change from cash flows:	
Increase in amount due to a shareholder	4,996
Increase in amount due to a former shareholder	22,021
At 31 December 2020 and 1 January 2021	29,127
Change from cash flows:	
Increase in amount due to a former shareholder	4,330
At 30 April 2021	33,457

25. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in these financial statements, the Target Company had no other material transactions and outstanding balances with related parties during the Relevant Periods or at the end of each of the Relevant Periods.

(b) Compensation of key management

Remuneration of key management personnel, who are directors of the Target Company, during the Relevant Periods were disclosed in note 10 to the Historical Financial Information.

26. CONTINGENT LIABILITIES

As at 30 April 2021, the Target Company did not have any significant contingent liabilities.

27. CAPITAL COMMITMENTS

The Target Company has the following capital commitments at the end of each of the Relevant Periods:

	As at 30 April 2021 *RMB'000*
Acquisitions of property, plant and equipment	12,960

28. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Target Company as at the end of each of the Relevant Periods are classified as financial assets and liabilities at amortised cost, respectively.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's principal financial instruments comprise cash and bank balances. The main purpose of these financial instruments is to finance the Target Company's operations. The Target Company has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are (a) credit risk and (b) liquidity risk. The Target Company does not have any written risk management policies and guidelines. However, the directors analyse and formulate measures to manage the Target Company's exposure to these risks. Generally, the Target Company introduces conservative strategies on its risk management. As the Target Company's exposure to these risks is kept to a minimum, the Target Company has minimal use of derivatives and other instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

(a) Credit risk

The Target Company trades only with recognised and creditworthy third parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the counterparty has good history of repayment, the Target Company's exposure to bad debts is not significant.

The table below shows the credit quality and the maximum exposure to credit risk based on the Target Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and the staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs	
	Stage 1	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2018			
Trade receivables*	–	53,289	53,289
Financial assets included in deposits and other receivables – normal**	9,181	–	9,181
Cash and cash equivalents – not yet past due	10	–	10
At 31 December 2019			
Trade receivables*	–	39	39
Financial assets included in deposits and other receivables – normal**	1,246	–	1,246
Cash and cash equivalents – not yet past due	979	–	979
At 31 December 2020			
Financial assets included in deposits and other receivables – normal**	1,413	–	1,413
Cash and cash equivalents – not yet past due	2,712	–	2,712
At 30 April 2021			
Trade receivables*	–	223	223
Financial assets included in deposits and other receivables – normal**	1,470	–	1,470
Cash and cash equivalents – not yet past due	25	–	25

* For trade receivables to which the Target Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17(b) to the Historical Financial Information.

** The credit quality of the financial assets included in deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(b) Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

At the end of each of the Relevant Periods, all of the Target Company's financial liabilities are due for repayment on demand or within one year. The carrying amounts of financial liabilities approximate their contractual undiscounted cash outflows.

(c) Capital management

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to its shareholders or issue new shares to increase capital. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Company monitors capital using a gearing ratio, which is total debt divided by the total equity. Total debt includes amount due to a shareholder/former shareholder. The gearing ratios as at the end of the Relevant Periods were as follows:

	As at 31 December			As at 30 April
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	41,795	2,110	29,127	33,457
Total equity	112,601	170,329	170,185	170,156
Gearing ratio	37.1%	1.2%	17.1%	19.7%

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 April 2021.

Set out below is the management discussion and analysis on the Target Company for the Track Record Period based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Company is a company established in the PRC. Prior to 1 January 2019, it was principally engaged in the production and supply of electricity, construction, management and operation of steam and other power stations and generation equipment in the PRC. The Target Company has ceased operation since 2019. On 31 December 2018, the Target Company has entered into a rental agreement with the Purchaser pursuant to which the Target Company agreed to lease to the Purchaser the plant and equipment owned by the Target Company with a monthly rental fee in the amount of RMB1 million for the term from 1 January 2019 to 31 December 2019. The rental agreement has since then been renewed annually, and under the current rental agreement for the term from 1 January 2021 to 31 December 2021, the monthly rental fee is RMB1.1 million. The Purchaser has been using the plant and equipment of the Target Company for the production and sale of steam for industrial use, heating and electricity.

As at the Latest Practicable Date, the Target Company is owned as to 70% by Shandong Ruiaote and 30% by Qingdao Fenbaoli respectively.

Set out below is the management discussion and analysis of the operating results and financial position of the Target Company for the Track Record Period.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the Target Company derived its revenue mainly from the production and supply of electricity and steam. The revenue decreased significantly by approximately RMB52.6 million or approximately 82.6%, from approximately RMB63.7 million for the year ended 31 December 2018 to approximately RMB11.1 million for the year ended 31 December 2019, primarily due to the Target Company has ceased its operation since 2019 and started to generate rental income from the leasing of plant and equipment to the Group. For the year ended 31 December 2020 and the four months ended 30 April 2021, the rental income of the Target Company amounted to approximately RMB11.0 million and RMB4.0 million respectively.

Cost of sales

The Target Company's cost of sales for the year ended 31 December 2018 represented the costs and expenses directly attributable to the production and supply of electricity and steam, which mainly comprised labor cost, raw material cost and depreciation expenses. The Target Company's cost of sales significantly decreased by approximately RMB44.2 million or approximately 83.1%, from approximately RMB53.2 million for the year ended 31 December 2018 to approximately RMB9.0 million for the year ended 31 December 2019, mainly because the Target Company ceased its energy business since 1 January 2019. The cost of sales of the Target Company for the two years ended 31 December 2020 and the four months ended 30 April 2021 comprised depreciation expenses. The cost of sales of the Target Company remained relatively stable at approximately RMB9.3 million for the year ended 31 December 2020. The cost of sales of the Target Company was approximately RMB3.6 million for the four months ended 30 April 2021.

Gross profit and gross profit margin

The gross profit of the Target Company decreased by approximately RMB8.4 million or approximately 79.9%, from approximately RMB10.5 million for the year ended 31 December 2018 to approximately RMB2.1 million for the year ended 31 December 2019 and approximately RMB1.7 million for the year ended 31 December 2020, which was due to the changes in operating activity and the component of cost of sales of the Target Company. The gross profit of the Target Company was approximately RMB0.4 million for the four months ended 30 April 2021.

The gross profit margin during the Track Record Period were approximately 16.5%, 19.0%, 15.4% and 10.3% respectively. The decrease of gross profit margin for the four months ended 30 April 2021 was mainly attributable to the increase in cost of sales as compared to the corresponding revenue due to the increase in depreciation expenses during the period.

Other income and gains

The Target Company's other income and gains mainly represented the government grants for air pollution control and government subsidies for the purchase of lands to support the development of the sale of steam and electricity business, which amounted to approximately RMB2.5 million, RMB3.5 million, RMB0.7 million and RMB0.2 million for the three years ended 31 December 2020 and the four months ended 30 April 2021 respectively. Details are set out in note 8 and note 22 to the financial statements of the Target Company contained in Appendix II to this circular.

Administrative expenses

Administrative expenses of the Target Company mainly consisted of depreciation expenses of office equipment, machinery inspection fees and staff costs. For the three years ended 31 December 2020 and the four months ended 30 April 2021, the Target Company's administrative expenses amounted to approximately RMB2.2 million, RMB2.0 million, RMB1.7 million and RMB0.6 million respectively. The Target Company's administrative expenses remained relatively stable during the Track Record Period.

Profit/loss for the year or period

The Target Company recorded profit of approximately RMB8.1 million and RMB3.0 million for the years ended 31 December 2018 and 2019 respectively, representing a decrease of approximately 62.9% due to the decrease in revenue as a result of the change in operating activity. For the year ended 31 December 2020 and the four months ended 30 April 2021, the Target Company recorded loss of approximately RMB0.1 million and RMB0.03 million respectively. The recorded loss was mainly due to the increase in depreciation expenses.

FINANCIAL POSITION AND OTHER FINANCIAL INFORMATION

Property, plant and equipment

The Target Company's property, plant and equipment during the Track Record Period mainly comprised machinery and equipment and construction in progress. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Target Company's property, plant and equipment amounted to approximately RMB98.0 million, RMB146.6 million, RMB206.9 million and RMB215.5 million respectively. The increase in Target Company's property, plant and equipment was primarily attributable to the additions of new equipment and newly constructed machinery and the commencement of construction of machinery. Details are set out in note 14 to the financial statements of the Target Company contained in Appendix II to this circular. The fair value of the property, plant and equipment of the Target Company as at 30 April 2021 as appraised by an independent valuer was approximately RMB217.0 million.

Right-of-use assets

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the right-of-use assets comprised the interests in leasehold land of the Target Company, which amounted to approximately RMB25.6 million, RMB25.1 million, RMB24.6 million and RMB24.4 million respectively. Details are set out in note 15 to the financial statements of the Target Company contained in Appendix II to this circular. The fair value of the right-of-use assets of the Target Company as at 30 April 2021 as appraised by an independent valuer was approximately RMB45.0 million.

Prepayments, deposits and other receivables

The Target Company's prepayments, deposits and other receivables in current assets and non-current assets mainly consisted of the prepaid construction fee for the new machinery and value-added tax recoverable. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the prepayments, deposits and other receivables of the Target Company amounted to approximately RMB42.4 million, RMB54.6 million, RMB30.1 million and RMB24.9 million respectively. The changes in the Target Company's prepayments, deposits and other receivables during the Track Record Period was mainly attributable to the changes in the prepaid construction fee according to the status of the construction in progress. Details are set out in note 18 to the financial statements of the Target Company contained in Appendix II to this circular.

Other payables and accruals

Other payables and accruals in current liabilities and non-current liabilities of the Target Company mainly comprised the construction fee payable to contractors and amount due to a shareholder, which amounted to approximately RMB78.0 million, RMB30.4 million, RMB68.1 million and RMB69.0 million as at 31 December 2018, 2019 and 2020 and 30 April 2021 respectively. The Target Company's amount due to a shareholder, who has ceased to be a shareholder of the Target Company on 24 April 2020, amounted to approximately RMB41.8 million, RMB2.1 million, RMB29.1 million and RMB33.5 million as at 31 December 2018, 2019 and 2020 and 30 April 2021 respectively. Such amount is repayable on demand and interest-free. The former shareholder has agreed that it will not demand repayment of such amount up to 31 October 2022. Subsequently, the amount shall be repaid by the Group by instalments in accordance with the scheduled repayment dates agreed by the former shareholder and will be fully repaid by August 2023. Details are set out in note 21 to the financial statements of the Target Company contained in Appendix II to this circular.

Deferred government grants

The deferred government grants in current liabilities and non-current liabilities mainly comprised the government subsidies received for the purchase of lands to support the development of the sale of steam and electricity business of the Target Company, which amounted to approximately RMB25.7 million, RMB25.1 million, RMB24.6 million and RMB24.4 million as at 31 December 2018, 2019 and 2020 and 30 April 2021 respectively. Details are set out in note 22 to the financial statements of the Target Company contained in Appendix II to this circular.

Liquidity, financial resources and capital structure

The Target Company mainly financed its operations and capital expenditure by internally generated funds and financing from its former shareholder. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Target Company's cash and cash equivalents amounted to approximately RMB10,000, RMB1.0 million, RMB2.7 million and RMB25,000 respectively. The increase from 2018 to 2020 was mainly attributable to the financing from the former shareholder. The cash and cash equivalents have decreased as at 30 April 2021, which was mainly due to the purchase of property, plant and equipment.

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Target Company had no bank borrowing. The total assets of the Target Company were approximately RMB220.6 million, RMB227.3 million, RMB264.3 million and RMB265.0 million respectively. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the total liabilities of the Target Company were approximately RMB108.0 million, RMB57.0 million, RMB94.1 million and RMB94.9 million respectively. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the current ratio of the Target Company was approximately 1.0 times, 1.0 times, 0.4 times and 0.7 times respectively. As at 30 April 2021, the Target Company had capital commitment of approximately RMB13.0 million. As at 31 December 2020 and 30 April 2021, the Target Company had net current liabilities of approximately RMB28.9 million and RMB7.1 million respectively, which were mainly a result of decrease in prepayments, deposits and other receivables, and increase in other payables and accruals.

Significant investment, material acquisition and disposals

Save as aforesaid, the Target Company did not have any significant investments or carried out any material acquisition and disposal during Track Record Period.

Future plans for material investments and acquisition of capital assets

The Target Company has no future plans for material investments and acquisition of material capital assets as at 30 April 2021.

Pledge of assets

As at 30 April 2021, the Target Company did not pledge any of its assets.

Foreign exchange risks

During the Track Record Period, the principal activities of the Target Company were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, the Target Company was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Employees and remuneration policy

Compensation for employees of the Target Company is made with reference to the market as well as individual performance and contributions. The Target Company reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. As at 31 December 2018, 2019 and 2020 and 30 April 2021, the Target Company had approximately 99, 7, 6 and 6 employees respectively. The total staff costs of the Target Company was approximately RMB3.4 million, RMB0.1 million, RMB0.5 million and RMB0.2 million for the three years ended 31 December 2020 and the four months ended 30 April 2021 respectively.

Charges on assets and Contingent liabilities

As at 31 December 2018, 2019, 2020 and 30 April 2021, the Target Company did not have any charges on assets, contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of Target Company.

Gearing ratio and the basis of calculation

As at 31 December 2018, 2019 and 2020 and 30 April 2021, the gearing ratio of the Target Company was approximately 37.1%, 1.2%, 17.1% and 19.7% respectively. The gearing ratio is the total debt divided by total equity. Total debt includes amount due to a shareholder/former shareholder.

Segmental information

The Target Company had only one business segment, being the production and supply of electricity, construction, management and operation of steam and other power stations and generation equipment in the PRC for the year ended 31 December 2018, and has only one business segment, being the leasing of plant and equipment since 2019.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The unaudited pro forma consolidated statement of financial position (the "Unaudited Pro Forma Financial Information") of the Enlarged Group, has been prepared by the Directors in accordance with Rule 4.29 of the Main Board Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, for the purpose of illustrating the financial impact of the proposed acquisition of 51% equity interest in China Coal Dongneng (Shandong) Clean Energy Company Limited (the "Target Company") by Champion Alliance (Shandong) New Energy Limited Company (the "Purchaser"), an indirect non-wholly owned subsidiary of Champion Alliance International Holdings Limited (the "Company") through allotment and issue of 46,092,537 new shares by the Company (the "Proposed Acquisition") on the assets and liabilities of the Company and its subsidiaries (collectively the "Group") as if the Proposed Acquisition had been completed on 31 December 2020. The Group and the Target Company are collectively referred to as the Enlarged Group.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2020 which has been extracted from the published annual report of the Company for the year ended 31 December 2020, and the statement of financial position of the Target Company as at 30 April 2021 as extracted from the accountants' report as set out in Appendix II to this circular.

A narrative description of the pro forma adjustments which are directly attributable to the Proposed Acquisition and factually supportable in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group contained in the annual report of the Company for the year ended 31 December 2020 and the accountants' report of the Target Company as set out in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company based on a number of assumptions, estimate, uncertainties, currently available information and are prepared for illustrative purpose only. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group that would have been attained had the Proposed Acquisition been completed on 31 December 2020 or any future date.

2. Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 31 December 2020	The Target Company as at 30 April 2021	Pro forma adjustments				Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
NON-CURRENT ASSETS							
Property, plant and equipment	24,523	215,518	1,472				241,513
Investment property	4,350	–					4,350
Right-of-use assets	24,097	24,389	20,611		(11,829)		57,268
Computer software	66	–					66
Prepayments for property, plant and equipment	–	9,942					9,942
Total non-current assets	53,036	249,849					313,139
CURRENT ASSETS							
Inventories	78,209	–					78,209
Trade and bills receivables	165,172	223					165,395
Prepayments, deposits and other receivables	20,456	14,941					35,397
Income tax recoverable	963	–					963
Restricted cash	48,721	–					48,721
Cash and cash equivalents	66,459	25					66,484
Total current assets	379,980	15,189					395,169
CURRENT LIABILITIES							
Trade and bills payables	175,379	–					175,379
Other payables and accruals	71,115	20,322				1,008	92,445
Income tax payable	1,253	1,449					2,702
Bank and other borrowings	48,462	–					48,462
Lease liabilities	12,840	–			(11,829)		1,011
Deferred government grants	–	524					524
Total current liabilities	309,049	22,295					320,523

	The Group as at 31 December 2020	The Target Company as at 30 April 2021	Pro forma adjustments				Unaudited pro forma for the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	*(Note 7)*	
NET CURRENT ASSETS/(LIABILITIES)	70,931	(7,106)					74,646
TOTAL ASSETS LESS CURRENT LIABILITIES	123,967	242,743					387,785
NON-CURRENT LIABILITIES							
Lease liabilities	461	–					461
Other payables	–	48,670					48,670
Deferred government grants	798	23,917					24,715
	1,259	72,587					73,846
NET ASSETS	122,708	170,156					313,939
EQUITY							
Share capital	4,459	110,000		(109,616)			4,843
Reserves	117,342	60,156	(72,114)	109,616		(1,008)	213,992
Equity attribute to owners of the Company	121,801	170,156					218,835
Non-controlling interests	907	–	94,197				95,104
TOTAL EQUITY	122,708	170,156					313,939

Notes:

1. The balances were extracted from the consolidated statement of financial position of the Group as at 31 December 2020 as set out in the latest published annual report of the Company for the year ended 31 December 2020.

2. The adjustment represents the amounts of assets and liabilities of the Target Company as if the Proposed Acquisition had been completed on 31 December 2020 for the unaudited pro forma consolidated statement of assets and liabilities. The balances were extracted from the statement of financial position of the Target Company as at 30 April 2021 as set out in Appendix II to the Circular.

3. Pursuant to the share purchase agreement dated 8 July 2021, the Group has conditionally agreed to acquire 51% equity interest of the Target Company which shall be satisfied by the Company allotting and issuing 46,092,537 Consideration Shares. The gross assets of the Target Company to be acquired was concentrated in a single identifiable asset. The Proposed Acquisition is therefore accounted for as a purchase of assets and liabilities as the operation of the Target Company proposed to be acquired does not constitute a business as defined in HKFRS 3 (Revised) "Business Combinations". As the Proposed Acquisition is considered as a purchase of assets and liabilities and the consideration is to be settled by the issuance of the Company's shares, the Proposed Acquisition is considered as a share-based payment transaction to non-employees in accordance with HKFRS 2 "Share-based Payment".

   Upon completion of the Proposed Acquisition, the Group shall identify and recognise the individual identifiable assets acquired and liabilities assumed.

   The cost of acquisition shall be allocated between the individual identifiable assets and liabilities of the Target Company based on their relative fair values at the acquisition date and for the purpose of the Unaudited Pro Forma Financial Information. The fair value of the identifiable assets and liabilities of the Target Company are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Company on the date of completion of the Proposed Acquisition. Consequently, the actual allocation of the cost of acquisition at the date of completion will likely result in difference amounts than those stated in this pro forma financial information.

4. For the purpose of the Unaudited Pro Forma Financial Statement, the Company has engaged an independent firm of professionally qualified valuer to estimate the fair values of the identifiable assets and liabilities of the Target Company, as if the Proposed Acquisition had been taken place on 30 April 2021. The principal assets acquired in the Proposed Acquisition are property, plant and equipment and right-of-use assets. The adjustment represents cost of acquisition to be allocated to these assets on 30 April 2021, which is the difference between the carrying amounts and the fair values of property, plant and equipment and right-of-use assets. The directors of the Company are of the view that the fair values of other identified assets acquired and liabilities assumed of the Target Group approximate their respective carrying amounts. The directors confirmed that this accounting treatment will apply consistently upon completion of the Proposed Acquisition.

The identifiable assets and liabilities of the Target Company as if the Proposed Acquisition had been taken place on 30 April 2021 are as follows:

	Carrying amounts *RMB'000*	Fair values *RMB'000*	Fair value adjustments *RMB'000*
Property, plant and equipment	215,518	216,990	1,472
Right-of-use assets	24,389	45,000	20,611
Prepayment for property, plant and equipment	9,942	9,942	–
Trade receivables	223	223	–
Prepayments, deposits and other receivables	14,941	14,941	–
Cash and cash equivalents	25	25	–
Other payables and accruals	(68,992)	(68,992)	–
Income tax payable	(1,449)	(1,449)	–
Deferred government grants	(24,441)	(24,441)	–
	170,156	192,239	22,083
Non-controlling interests (49%)	(83,376)	(94,197)	(10,821)
Property, plant and equipment and right-of-use assets acquired by the Group	86,780	98,042	11,262

5. The fair value of the consideration as at 30 April 2021 is determined by reference to the fair value of the net assets to be acquired from the Target Company. The Company will issue 46,092,537 Consideration Shares to the Vendors as settlement of the consideration of the Proposed Acquisition. The fair value of the Consideration Shares amounted to approximately HK$123,528,000 (equivalent to RMB102,961,000) based on the closing price of the Company's shares of HK$2.68 per share as at the date of Completion which is assumed to be 30 April 2021. The adjustment includes the nominal value of share capital of HK$461,000 (equivalent to RMB384,000) to be issued and the excess of the consideration over the nominal value of the shares of HK$123,067,000 (equivalent to RMB102,577,000) which is credited to the share premium account of the Company. The value of the Consideration Shares is subject to change and shall be reassessed at the time of the completion of the Proposed Acquisition.

6. On 1 January 2019 and subsequently renewed on 31 December 2020, the Target Company has entered into a rental agreement with the Purchaser pursuant to which the Target Company agreed to lease to the Purchaser the plant and equipment and the right-of-use assets owned by the Target Company with a monthly rental fee in the amount of RMB1 million (the "Lease Arrangement"). As at 31 December 2020, the right-of-use assets and lease liabilities in relation the Lease Arrangement of the Group were RMB11,829,000 and RMB11,829,000 respectively. The adjustment represents the elimination of the right-of-use assets and lease liabilities for the purpose of the Unaudited Pro Forma Financial Information.

7. The adjustment represents the estimated acquisition-related costs of approximately RMB1,008,000, including accountancy, legal, valuation and other professional services in connection with the Proposed Acquisition, which are assumed to be due upon the completion of the Proposed Acquisition.

8. The directors of the Company confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information will be consistent with the accounting policies of the Group, including the principal accounting policies and assumptions of the valuation of the identified assets and liabilities of the Target Company to be consistently adopted in the first set of the financial statements of the Group after the completion of the Proposed Acquisition.

9. Apart from the Proposed Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Group subsequent to 31 December 2020, and of the Enlarged Group entered into subsequent to 30 April 2021.

II. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group as set out in this appendix and prepared for the sole purpose of inclusion in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the directors of Champion Alliance International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Champion Alliance International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position and related notes as set out in Section I of Appendix IV of the Company's circular dated 30 July 2021 (the "Circular") issued in connection with the proposed acquisition of 51% equity interest in China Coal Dongneng (Shandong) Clean Energy Company Limited (the "Target Company") by Champion Alliance (Shandong) New Energy Limited Company (the "Purchaser"), an indirect non-wholly owned subsidiary of the Company through allotment and issue of 46,092,537 new shares by the Company (the "Proposed Acquisition"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are set out in Section I of Appendix IV of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2020 as if the Proposed Acquisition had taken place at 31 December 2020. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the consolidated statement of financial position of the Group as at 31 December 2020 as set out in the published annual report of the Company for the year ended 31 December 2020.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

30 July 2021

The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from Sinno Appraisals Limited, an independent valuer, in connection with its valuation of the properties of the Target Company as at 30 April 2021.

Sinno Appraisals Limited

30 July 2021

The Board of Directors
Champion Alliance International Holdings Limited
Room A, 17th Floor, Capitol Centre Tower 2
28 Jardine's Crescent, Causeway Bay
Hong Kong

Dear Sirs,

Re: Property valuation of 3 lands located at Dongping Economic Development Zone (東平縣經濟發展區), the People's Republic of China

INSTRUCTIONS, PURPOSE AND VALUATION DATE

In accordance with the instructions from Champion Alliance International Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") to value the property interests (the "**Properties**") held by 中煤東能(山東)清潔能源有限公司 (China Coal Dongneng (Shandong) Clean Energy Company Limited) (the "**Target Company**") in the People's Republic of China (the "**PRC**"), we confirm that we made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at 30 April 2021 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("**HKIS**") defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by The Stock Exchange of Hong Kong Limited.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, deferred term contract, joint venture, management agreement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation, we have relied on the information and advice given by the Company's PRC legal adviser, SHANTIA LAW FIRM (山東舜天律師事務所), regarding the titles to the property and the interests of the Target Company in the property in the PRC. Unless otherwise stated in the legal opinion, in valuing the property, we have assumed that the Target Company has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Target Company are set out in the notes of the valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property are in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

VALUATION METHOD

In valuing the property, we have used market approach assuming sale of the property in its existing state by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, accessibility, size and other relevant factors. This method is in line with the market practice. Accordingly, having considered the general and inherent characteristics of the property, we considered the market approach method that employs more observable and recent market data and subject to less hypothetical assumptions and adjustments to be the best approach for the valuation of the land parcels under the existing circumstance as at the valuation date. We have examined current land transactions or asking prices of land comparables and our search was based on similar zoned parcels of land traded recently in the same district as or neighbouring districts to the subject property. The most widely used and market-oriented units of comparison for properties with characteristics similar to those of the subject property is unit rate per square meter of developable floor area of the land. The analysis of all comparable transactions are based on the same basis which is commonly used in the local market.

In the course of our valuation, we have considered the differences between the subject property and the comparable properties in terms of various factors and accordingly made due adjustments, including but not limited to the transaction time, location and environment, transport and accessibility, land use, size, plot ratio, development constraints, etc. If the comparable is similar to the subject property, no adjustment is necessary. However, if the comparable is superior to the subject property, downward adjustment would be made in order to derive the lower unit rate of the subject property. Likewise, if the comparable is inferior to the subject property, upward adjustment would be made.

We have also considered another commonly used approach, namely, the residual approach, however the use of residual approach requires more judgement and assumptions on the hypothetical development costs (including costs of construction, professional fee, finance costs and associated costs) assuming completion of construction at the valuation date, plus an allowance for developer's risk and profits are deducted from the aforementioned aggregated development costs to arrive at the residual value of the land. As such, we considered that it would be difficult to justify the relevant projections and therefore the residual approach is not a suitable approach for the valuation of the property.

MARKET UNCERTAINTY

The recent outbreak of the Coronavirus (COVID-19) has brought high volatility to global financial markets and uncertainty to the property market. It is expected that property values will be very sensitive to development of the pandemic and changes in the financial markets. The extents of impact on different sectors of the market are different and the time for marketing and negotiating sale of a property will be longer than normal. There will be less certainty as to how long a valuation may sustain and property prices may fluctuate rapidly and materially over a short period of time. Our valuation of the property is valid only at the valuation date and any subsequent changes in market conditions as well as the resulting impacts on property values after the valuation date cannot be taken into account. If any party intends to make reference to our valuation when entering into any transaction, he must bear in mind the high market volatility during this period of time and that property values may or may not have changed since the valuation date.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Target Company and have accepted advice given to us on such matters as planning approvals, statutory notices, orders, easements, tenure, lettings, licences, particulars of occupancy, identification of land and building, site and floor plans, site and floor areas, number of parking spaces and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Target Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Company which is material to the valuation. We were also advised by the Target Company that no material facts have been omitted from the information provided.

In the course of our valuation for the property interests in the PRC, details and title have been provided by the Target Company. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only. We have relied on the advice given by the Company that the Target Company has valid and enforceable title to the property which are freely transferable and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

TITLE INVESTIGATION

We have been provided with extracts of documents relating to the property in the PRC. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property and we have therefore relied on the advice given by the Company or the Company's legal adviser regarding the interests of the Target Company in the property in the PRC.

SITE INSPECTION

Considerations for inspection arrangement amidst the COVID-19 outbreak, no site property inspection was carried out due to travel restrictions, safety and other related concerns. This arrangement is in line with the Guidance Note "Considerations for Inspection Arrangement amidst the COVID-19 outbreak" published on 5 March 2020 by HKIS. In the absence of inspection, we relied on the photos provided by the Target Company on the attributes of the properties, such as the surroundings, nature, appearance, quality, physical conditions, etc. We reserve our rights to revise the valuations if it is discovered, during subsequent inspections, that the assumed attributes differ from reality.

No structural survey has been made and we are not able to report that the property is free of rot, infestation or any other structural defects. No test was carried out on any of the services.

Unless otherwise stated, we have not carried out on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of the documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

CURRENCY

Unless otherwise stated, all monetary amounts are stated in Chinese Yuan Renminbi ("**RMB**").

OTHER DISCLOSURE

We hereby confirm that Sinno Appraisals Limited and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion. We confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

We enclose herewith our valuation certificate for your attention.

Yours faithfully,
For and on behalf of
Sinno Appraisals Limited

H.N. Ko *MHKIS*
Partner
Room 1018, 10/F, Tower B
New Mandarin Plaza
14 Science Museum Road
Kowloon, Hong Kong

Note: Ms. H.N. Ko is a member of the Hong Kong Institute of Surveyors (HKIS) who has over 5 years of post-qualification experience in the valuation of properties in Hong Kong and PRC.

VALUATION CERTIFICATE

Property		Description and tenure	Details of occupancy	Market value in existing state as at 30 April 2021
1.	3 lands located at Dongping Economic Development Zone, Shandong Province, the People's Republic of China (PRC)	The property comprises 3 parcels of land with a total site area of approximately 87,276.00 sqm. It has a total gross floor area ("**GFA**") of approximately 87,276.00 sqm. The land use rights of the lands have been granted for a term of 50 years expiring on 20 October 2066, 6 March 2068 and 19 July 2068 respectively for industrial use.	As advised by the Target Company, the property is currently occupied by the Target Company for industrial-use.	RMB45,000,000

Notes:

1. Pursuant to the State-owned Land Use Rights Certificate issued by Dongping County People's Municipal Government and Transfer Contracts of Land Use Rights of State-owned Construction Land (《國有建設用地使用權出讓合同》) enter into with Dongping County Land Bureau and the Target Company, total site area of 87,276.00 sqm is granted to 中煤東順清潔能源有限公司 (China Coal Dongshun Clean Energy Company Limited) for industrial use with a term expiring on 20 October 2066, 6 March 2068 and 19 July 2068. The details of the certificates and contracts are as follows:

Certificate/Details	Use	Original Acquisition Date	Original Acquisition Cost *(RMB)*	Expiry Date of Land Use Term	Site Area *(sqm)*
Lu (2018) Dongping County Real Estate Title No. 0002241	Industrial	21 October 2016	7,720,000	20 October 2066	21,440.00
Lu (2018) Dongping County Real Estate Title No. 0002242	Industrial	7 March 2018	10,170,000	6 March 2068	36,682.00
The Target Company is still in the process of completing application procedures and formalities of Land Use Rights Certificate	Industrial	20 July 2018	8,290,000	19 July 2068	29,154.00
					87,276.00

2. We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, Shantia Law Firm (山東舜天律師事務所), which contains, *inter alia*, the following information:

   i. The Target Company is legally in possession of the land use rights of the property and within the land use rights term, the Target Company has the rights to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the land use rights of the property;

   ii. The Target Company is the sole legal land user of the property and has obtained the relevant State-owned Land Use Rights Certificates and approval from the government in respect of the construction of the property;

   iii. The Target Company has the rights to lease, transfer, mortgage and disposes of the land use rights and ownership rights with the relevant State-owned Land Use Rights Certificates;

   iv. There is no legal impediment for the Target Company to obtain the State-owned Land Use Rights Certificate for the parcel of land of site area of 29,154 sqm. The Target Company has already applied the State-owned Land Use Rights Certificate on 11 June 2021. Pursuant to the reply from Dongping County Real Estate Registration Centre (東平縣不動產登記中心), they will issue the State-owned Land Use Rights Certificate to the Target Company by 31 October 2021; and

   v. The owner, 中煤東順清潔能源有限公司 (China Coal Dongshun Clean Energy Company Limited), has been renamed as 中煤東能(山東)清潔能源有限公司 (China Coal Dongneng (Shandong) Clean Energy Company Limited).

The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this circular received from Sinno Appraisals Limited, an independent valuer, in connection with its valuation of the machineries and equipment of the Target Company as at 30 April 2021.

30 July 2021

The Board of Directors
Champion Alliance International Holdings Limited (the "**Company**")
Room A, 17th Floor, Capitol Centre Tower 2
28 Jardine's Crescent, Causeway Bay
Hong Kong

We have performed a valuation engagement of the following subjects – machineries and equipment ("**Machineries and Equipment**") held by 中煤東能(山東)清潔能源有限公司 (China Coal Dongneng (Shandong) Clean Energy Company Limited) (the "**Target Company**" or "**Subject Company**") in the People's Republic of China (the "**PRC**") as of 30 April 2021.

This valuation was performed solely for the purposed specified in the engagement letter; the resulting estimate of the value should not be used for any other purpose or by any other party for any purpose. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, the conclusion of value and supplementary reporting are stated in the respective section in this valuation report. This conclusion and reporting is subject to the Statement of Assumptions and Limiting Condition and the Valuation Analyst's Representation. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

This report has been prepared for the specific purpose of valuing the Subject Company as of 30 April 2021 for accounting purpose and is intended for no other purpose. This report is not to be copied or made available to any persons other than those indicated in this report without the express written consent of Sinno Appraisals Limited.

Yours faithfully,

Sinno Appraisals Limited
Room 1018, 10/F, Tower B
New Mandarin Plaza
14 Science Museum Road
Kowloon, Hong Kong

I. INTRODUCTION

A. Specifics

Sinno Appraisals Limited has been retained to perform a valuation engagement related to the Target Company of the following subjects – Machineries and Equipment held by the Target Company in the PRC as of 30 April 2021 (the "**Valuation Date**"). This summary report will provide sufficient information to permit the intended users to understand the data, reasoning, and analyses underlying the valuation analyst's conclusion of value.

The valuation will be used for the sole purpose of internal reference. Distribution of this report is restricted to the shareholders and their professional advisors and any regulatory agencies. Any other use of this report is unauthorized and the information included in the report should not be relied upon.

B. Standard of Value

Our valuation is our assessment of the "Fair Value" which is defined in the IVS Framework published by International Valuation Standards Council (IVSC) as same as the definition of fair value under HKFRS 13 that:

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit according to HKAS 36.

C. Premise of Value

Premise of value is an assumption regarding the most likely set of transactional circumstances that may be applicable to the subject valuation such as going concern or liquidation. It includes liquidation value, going concern value etc.

Going concern value represents the value of a business enterprise that is expected to continue to operate into the future. The intangible elements of Going Concern Value result from factors such as having a trained work force, an Operational plant, and the necessary licenses, systems, and procedures in place.

The premise of value is going concern value in this valuation.

II. SOURCES OF INFORMATION

The primary sources of information for this engagement include the following:

1. Information provided by management on the standard questionnaire and financial information

2. Information from management from various interviews, phone calls and emails

3. Research on industry and economy

4. Research on public information, including but not limited the Hong Kong Stock Exchange, financial data terminals such as *Bloomberg, Choice*, etc.

III. APPROACH

In arriving at the estimate of value of the machinery and equipment of the Subject Company, three generally accepted approaches have been considered. They are market approach, income approach and cost approach. The various methods of valuation used in practice are subdivisions of these broad approaches. Valuation methods under the Market and Income approaches generally contain common characteristics such as measures of earning power, discount rates and/or capitalization rates and multiples.

A. Market Approach

The market approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available.

Under this approach the first step is to consider the prices for transactions of identical or similar assets that have occurred recently in the market. If few recent transactions have occurred, it may also be appropriate to consider the prices of identical or similar assets that are listed or offered for sale provided the relevance of this information is clearly established and critically analyzed. It may be necessary to adjust the price information from other transactions to reflect any differences in the terms of the actual transaction and the basis of value and any assumptions to be adopted in the valuation being undertaken. There may also be differences in the legal, economic or physical characteristics of the assets in other transactions and the asset being valued.

B. Income Approach

The income approach provides an indication of value by converting future cash flows to a single current capital value.

This approach considers the income that an asset will generate over its useful life and indicates value through a capitalization process. Capitalization involves the conversion of income into a capital sum through the application of an appropriate discount rate. The income stream may be derived under a contract or contracts, or be non-contractual, e.g. the anticipated profit generated from either the use of or holding of the asset.

C. Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction.

This approach is based on the principle that the price that a buyer in the market would pay for the asset being valued would, unless undue time, inconvenience, risk or other factors are involved, be not more than the cost to purchase or construct an equivalent asset. Often the asset being valued will be less attractive than the alternative that could be purchased or constructed because of age or obsolescence. Where this is the case, adjustments may need to be made to the cost of the alternative asset depending on the required basis of value.

IV. OVERVIEW OF THE SUBJECT

The fixed assets of this valuation, as per the list provided to us, are those utilized by the Company for the production and sales of steam for industrial use, heating and electricity, consisting of plant, machinery, motor vehicles, fixtures, and construction-in-progress which are assets that are not fully constructed or installed, and their value indicated is based on the recorded costs as reported to us as of the valuation date.

These machinery and equipment are located at Dongping Economic Development Zone, Shandong Province, the People's Republic of China held by the Target Company.

V. ESTIMATE OF VALUE – MACHINERIES AND EQUIPMENT

While there are many methods that can be used to determine the fair value of the Machinery and Equipment, the fact pattern in the specific case of the Machineries and Equipment dictates that certain methodologies are inappropriate. The following lists those methods and the reasons why they are not used.

In developing our opinion on the market value for the Assets, the income approach is excluded as no relevant financial information relating to the individual Assets was available; we therefore put more of our emphasis on market approach and cost approach. However in the event of insufficient transactions or market comparables which we would base our opinion, we will consider the cost approach in arriving at our opinion of value.

In any appraisal study, all three approaches to value must be considered, as one or more may be applicable to the subject Assets. In some situations, elements of two or three approaches may be combined to reach a value conclusion. For this appraisal, since the income generated by the Assets could hardly be identified, therefore, the income capitalization approach was not applied. The cost (Depreciated Replacement Cost) and market approaches were the principal methods adopted to arrive at our opinion of value.

Depreciated Replacement Cost Approach (DRC) establishes value based on the cost of replacing the Assets, less depreciation from physical deterioration, and functional and economic/external obsolescence.

Cost of replacement new is defined as the estimated amount required to replace the entire asset at one time with a modern new unit using the most current technology and construction materials that will duplicate the production capacity and utility of an existing unit at current market prices for materials, labor, and manufactured equipment, contractors' overhead and profit, and fees, but without provision for overtime, bonuses for labor, or premiums for materials or equipment.

Regarding the suitability of DRC approach for this valuation engagement, we have conducted market search on large trading B2B platform in China for the industrial assets of the production line, however, there is no active market quote of similar specification of client's industrial assets available to us. Enquired with management, their industrial assets of the production line were usually acquired together with heavily involvement of engineering construction by engineer and technician. Therefore, it is normal that no active market quote available, and the management assessed that the current replacement cost of these industrial machinery and equipment is the basis of how a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

Our chartered engineer consultant concurred the above assessment and we agreed that, considered the industrial assets of the production line required lots of engineering construction, specification, modification, design and test works by engineer, technician and vendors, the market participant buyers would based on current replacement costing to assess the value to acquire or construct a substitute assets of comparable utility and capacity (with adjustment for obsolescence). We considered that DRC can only be used if it meets the objective of HKFRS 13 by being a current exit price and not the cost of an asset. If the entity can demonstrate that the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence, then (and only then) is DRC an appropriate basis for fair value less cost of disposal ("**FVLCD**"). We considered that the depreciated replacement value represents the fair value as defined in HKFRS 13.

In the course of valuation, we have perused records, conducted desktop study and market research, and obtain relevant information in regard to the subject assets.

Valuation Assumptions and Limiting Conditions

Consideration had been given to accrued depreciation that was based on the observed condition and present and prospective serviceability in comparison with new units of like kind, maintenance policy, characters, level of use and to all other factors that are deemed to have an influence on its value.

In forming our Opinion of fair value in continued use of the assets, we have assumed that they will continue to be used in its present existing state in the business of the Target Company for which they were designed, built and erected, without specific reference to income.

The opinion of fair value in continued use of the equipment of the Assets as installed for intended utilization is not necessarily intended to represent the amount that might be realized from piecemeal disposition of the assets in the open market or from alternative uses of the assets.

We have assumed that the assets will be used in their present existing state with the benefit of continuity during the foreseeable future.

We have made no investigation of and assumed no responsibility for titles to the assets. We have also assumed in our valuation that the assets are free from any encumbrances.

Our investigation was restricted to a desktop study and valuation of the assets alone did not attempt to arrive at any conclusion of values of the Target Company as a total business entity.

In the absence of site inspection, we relied on the photos provided by the Target Company on the attributes of the assets, such as the surroundings, nature, appearance, quality, physical conditions, etc. We reserve our rights to revise the valuations if it is discovered, during subsequent inspections, that the assumed attributes differ from reality.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the assets were used.

We had not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Assets. Also, no investigation was conducted as to whether the operation of specific pieces of the assets complied with the relevant environmental standards and ordinances; we had assumed that the assets continued and would continue to comply with the current environmental standards and ordinances. We made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

We have highly relied on the information provided by the Subject Company in valuing the assets.

All the machineries and/or equipment were presumed as listed as complete units, i.e., machineries and/or equipment as listed are meant to include all parts and accessories normally comprising the unit.

We are not prepared to give testimony or attendance in court or to any government agency with reference to the assets.

Neither the whole nor any part of this report and valuation, nor any reference thereto may be included in any document, circular or statement Without our written approval of the form and context in which it will appear.

Unless otherwise stated, the Assets have been valued in Renminbi (RMB).

VI. OPINION

We have performed a valuation engagement of the following subjects – Machineries and Equipment held by the Target Company in the PRC as of 30 April 2021. The estimate of value that results from a valuation engagement is expressed as a conclusion of value.

Based on our analysis, the fair value of Machineries and Equipment of Target Company presented in Appendix A as at the Valuation Date of continued use is reasonably stated as RMB216,990,000.

This conclusion is subject to the Statement of Assumptions and Limiting Condition and the Valuation Analyst's Representation. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

Yours faithfully,

Sinno Appraisals Limited

Note: Key team members of this engagement:

Mr. Kelvin K.H. Chung, CPA (Practising). He has over 5 years' post-qualification experience in valuation and financial due diligence services.

Ir P.H. Chan is a Registered Professional Engineer (Mechanical) and a member of the Hong Kong Institute of Engineers. He has over 6 years' post-qualification experience in plant and machinery assessment and valuation.

APPENDIX A: SUMMARY OF THE MACHINERIES AND EQUIPMENT

	Fair Value as at 30 April 2021 *(RMB)*
Fixed Assets	
Plant and equipment	211,904,067
Construction-in-progress	5,086,325
Total	216,990,392
Rounded to	216,990,000

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. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following Completion and issue of the Consideration Shares were/will be as follows:

(i) As at the Latest Practicable Date

Number of Shares		Nominal Value *(HK$)*
Authorised:		
1,000,000,000	Shares of HK$0.01 each	10,000,000
Issued and fully paid or credited as fully paid:		
500,000,000	Shares of HK$0.01 each	5,000,000

(ii) Immediately following Completion and issue of the Consideration Shares

Number of Shares		Nominal Value *(HK$)*
Authorised:		
1,000,000,000	Shares of HK$0.01 each	10,000,000
Issued and fully paid or credited as fully paid:		
500,000,000	Shares as at the Latest Practicable Date	5,000,000
46,092,537	Consideration Shares to be allotted and issued	460,925.37
546,092,537	**Shares immediately following Completion and issue of the Consideration Shares**	5,460,925.37

All the Shares in issue and the Consideration Shares to be issued are and will (when allotted and fully paid or credited as fully paid) rank *pari passu* in all respects with each other.

As at the Latest Practicable Date, the Company did not have any outstanding options, warrants or other conversion rights affecting the Shares nor enter into any agreement for the issue of any options, warrants or other conversion rights affecting the Shares. No Shares have been issued since 31 December 2020, being the date to which the latest audited financial statements of the Company were made up.

3. 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 *(Note)* ("**Mr. Chen**")	Interest in a controlled corporation	350,000,000	70%

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	70.00%
Ms. Chen Xiuchun	Interest of spouse *(Note 2)*	350,000,000	70.00%
CM Asset Management (Hongkong) Company Limited	Investment manager	45,704,000	9.14%
Shareholder Value Fund	Beneficial owner	45,704,000	9.14%

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.

4. 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.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE ENLARGED 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 Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2020, 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 Enlarged Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Enlarged Group.

6. 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.

7. 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 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group 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 any member of the Enlarged Group.

9. MATERIAL CONTRACTS

Save for the Agreement, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date.

10. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion, letter or advice contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants
Sinno Appraisals Limited	Professional Valuer
Shantia Law Firm	Legal advisers as to PRC law

(a) as at the Latest Practicable Date, each of the experts above had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, valuation certificate and/or reports and references to its name in the form and context in which they are included;

(c) as at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company 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 Enlarged Group; and

(d) each of (i) the accountants' report of the Target Company set out in Appendix II; (ii) the report from BDO Limited on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV; (iii) the valuation report in respect of the properties of the Target Company from Sinno Appraisals Limited set out in Appendix V (the "**Property Valuation Report**"); (iv) the valuation report in respect of the machineries and equipment of the Target Company from Sinno Appraisals Limited set out in Appendix VI; and (v) the legal opinion of Shantia Law Firm as referred to in the Property Valuation Report is given as of the date of this circular for incorporation herein.

11. GENERAL

(a) The company secretary of the Company is Mr. Lau Ka Ming. Mr. Lau Ka Ming is a fellow of the Hong Kong Institute of Certified Public Accountants, a full member of CPA Australia, an associate of the Chartered Institute of Management Accountants and a Chartered Global Management Accountant.

(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, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room A, 17th Floor, Capitol Centre Tower 2, 28 Jardine's Crescent, Causeway Bay, Hong Kong, during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays from the date of this circular up to and including 14 August 2021:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 December 2018, 2019 and 2020 respectively;

(c) the accountants' report of the Target Company, the text of which is set out in Appendix II to this circular;

(d) the report on the unaudited pro forma financial information of the Enlarged Group issued by BDO Limited set out in Appendix IV to this circular;

(e) the valuation report in respect of the properties of the Target Company from Sinno Appraisals Limited set out in Appendix V to this circular;

(f) the valuation report in respect of the machineries and equipment of the Target Company from Sinno Appraisals Limited set out in Appendix VI to this circular;

(g) the legal opinion of Shantia Law Firm as referred to in the property valuation report;

(h) the written consent referred to in paragraph headed "10. Qualification and consent of Experts" of this appendix;

(i) the Agreement; and

(j) this circular.