Champion Alliance International Holdings Limited
冠 均 國 際 控 股 有 限 公 司

(Formerly known as Mengke Holdings Limited (盟科控股有限公司))
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1629)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- Revenue for the year ended 31 December 2018 decreased by approximately 8.7% or RMB20.8 million to approximately RMB217.5 million.
- Gross profit for the year ended 31 December 2018 decreased by approximately 26.7% or RMB12.0 million to approximately RMB33.0 million.
- Loss attributable to equity holders of the Company for the year ended 31 December 2018 was approximately RMB4.6 million as compared to the profit attributable to equity holders of the Company of approximately RMB4.7 million for the year ended 31 December 2017.
- Basic losses per share of the Company for the year ended 31 December 2018 was approximately RMB0.92 cents as compared to basic earnings per share of the Company of approximately RMB0.94 cents for the year ended 31 December 2017.
- The board of directors proposed not to declare any final dividend for the year ended 31 December 2018.

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Champion Alliance International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018 together with the comparative results for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2018	2017
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**217,491**	238,310
Costs of sales	*6*	**(184,542)**	(193,363)
Gross profit		**32,949**	44,947
Other income and other losses — net	*5*	**698**	5,924
Distribution expenses	*6*	**(14,244)**	(17,987)
Administrative expenses	*6*	**(24,105)**	(24,880)
Net impairment losses on financial assets		**(744)**	(1,046)
Operating (loss)/profit		**(5,446)**	6,958
Finance income		**505**	543
Finance expenses		**(975)**	(1,092)
Finance expenses — net	*7*	**(470)**	(549)
(Loss)/profit before income tax		**(5,916)**	6,409
Income tax credit/(expense)	*8*	**1,292**	(1,685)
(Loss)/profit for the year		**(4,624)**	4,724
Other comprehensive income		**–**	–
Total comprehensive income for the year		**(4,624)**	4,724
Attributable to:			
Equity holders of the Company		**(4,624)**	4,724
(Losses)/earnings per share (expressed in RMB per share)			
— Basic and diluted	*9*	**(0.92) cents**	0.94 cents

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2018** *RMB'000*	2017 *RMB'000*
ASSETS			
Non-current assets			
Prepaid operating lease		**11,767**	12,104
Property, plant and equipment		**33,921**	37,290
Intangible assets		**63**	108
Deferred income tax assets		**1,703**	485
		47,454	49,987
Current assets			
Inventories		**73,892**	63,232
Trade and other receivables and prepayments	*11*	**122,533**	147,853
Notes receivables	*11*	**5,000**	3,499
Amounts due from a related party		**–**	1,511
Restricted cash		**38,120**	38,719
Other current assets		**278**	–
Cash and cash equivalents		**5,912**	14,776
		245,735	269,590
Total assets		**293,189**	319,577
EQUITIES AND LIABILITIES			
Equity			
Share capital		**4,459**	4,459
Other reserves		**101,892**	101,392
Retained earnings		**6,199**	10,823
Total equity		**112,550**	116,674
Liabilities			
Non-current liabilities			
Deferred government grants		**1,090**	1,236
Current liabilities			
Borrowings		**15,000**	14,980
Trade and other payables	*12*	**103,880**	121,966
Notes payables	*12*	**59,600**	62,313
Amounts due to related parties		**1,069**	2,086
Current income tax liabilities		**–**	322
		179,549	201,667
Total liabilities		**180,639**	202,903
Total equity and liabilities		**293,189**	319,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Champion Alliance International Holdings Limited was incorporated in the Cayman Islands on 8 January 2016 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1–1001, Cayman Islands. The Company was formerly known as Mengke Holdings Limited and the name of the Company was changed to its current name on 20 January 2019.

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sale of cigarette packing materials in the People's Republic of China (the "**PRC**"). The Company's ultimate holding company is Champion Alliance International Corporation ("**Champion Alliance International**"), which obtained the control of the Company in the year ended 31 December 2018. Champion Alliance International is an investment holding company incorporated in British Virgin Islands ("**BVI**") and controlled by Mr. Chen Shuming ("**Mr. Chen**").

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 25 November 2016.

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION

(a) Compliance with HKFRS and Hong Kong Companies Ordinance

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- HKFRS 9 "Financial instruments"
- HKFRS 15 "Revenue from contracts with customers"
- Amendments to HKFRS 2 "Classification and measurement of share-based payment transactions"
- Annual improvements 2014-2016 cycle
- Amendments to HKAS 40 "Transfers to investment property."
- Interpretation 22 "Foreign currency transactions and advance consideration"

The Group had to change its accounting policies and extent of the Group's disclosures following the adoption of HKFRS 9 and HKFRS 15, see Note 3. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) New standards and interpretations not yet effective

The following new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group:

		Effective for financial periods beginning on or after
HKFRS 16	Leases	1 January 2019
(HK)Interpretation 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Annual improvements to HKFRS Standards 2015-2017 Cycle	Improvements to HKFRS3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except for HKFRS 16 as disclosed below.

HKFRS 16 Leases

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. The directors consider that the adoption of the new standard will not have material impact on the financial position and financial performance of the Group because the Group only had non-cancellable operation lease commitments of RMB269,000 as at 31 December 2018, most of which are short-term leases, and will be exempted from reporting obligation under HKFRS 16.

Date of adoption

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's financial statements.

3.1 Impact on the financial statements

As explained in Note 3.2 and 3.3 below, HKFRS 9 and HKFRS 15 were generally adopted without restating comparative information. No reclassifications or adjustments are needed to be restated to the balance sheet as at 31 December 2017, or recognised in the opening balance sheet on 1 January 2018.

3.2 HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated by the Group.

(i) Classification and measurement

On 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The management has found no impact on classification and measurement of financial instruments from the adoption of HKFRS 9.

(ii) Impairment of financial assets

The Group's trade and other receivables are subject to impairment under the new expected credit losses model. While cash and cash equivalents and deposits are also subject to the impairment requirements under HKFRS 9, the identified impairment loss was immaterial.

The Group is required to revise its impairment methodology under HKFRS 9 for trade and other receivables. The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses an expected lifetime loss allowance for trade receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group has assessed the impact of expected credit losses on financial assets and concluded that the impact is insignificant as at 1 January 2018 and during current reporting period.

3.3 HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers which resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements. By using the modified retrospective approach in accordance with the transition provisions in HKFRS 15, the comparatives have not been restated by the Group.

The Group's sales of cigarette packaging products are within the scope of the standard.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant differences between the performance obligations required to be units of account under HKFRS 15 and the deliverables considered to be units of account under HKAS 18 and the consideration is allocated to its performance obligations based on the relative fair value of each deliverables both under HKFRS 15 and HKAS 18.

The Group has concluded that there is no significant impact of HKFRS 15 on revenue recognition as at 1 January 2018 and 31 December 2018.

4 REVENUE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Sales of cigarette packaging products:		
— transfer metallised paper	**190,080**	224,528
— laminated metallised paper	**26,677**	13,737
	216,757	238,265
Processing service income	**734**	45
	217,491	238,310

All the revenues in 2018 were recognised at a point in the time.

Revenues from transactions with external customers amounting to 10% or more of the Group's revenues are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Customer A	**49,852**	76,645
Customer B	**44,272**	32,391
Customer C	**29,451**	Not applicable*
Customer D	**26,730**	64,313
Customer E	**Not applicable***	27,116

*Note**: The revenue of the particular customer for the particular year is less than 10% of the Group's revenue for the particular year.

Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the manufacture and sales of packaging materials for cigarette in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one operating segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue are derived from the PRC.

As at 31 December 2018, all of the operating related non-current assets were located in the PRC (31 December 2017: same).

5 OTHER INCOME AND OTHER LOSSES — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other income:		
Rental income	**934**	934
Subsidy income	**146**	5,288
Sales of raw material and waste material	**83**	834
	1,163	7,056
Other expenses:		
Cost of rental	**(366)**	(379)
Cost of raw material and waste material sold	**(77)**	(824)
	(443)	(1,203)
Other (losses)/gains:		
Net foreign exchange (losses)/gains	**(22)**	71
Other income and other losses — net	**698**	5,924

6 EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Raw materials and consumables used	**189,840**	195,522
Changes in inventories of finished goods and work in progress	**(11,734)**	(9,530)
Staff costs (including directors' emoluments)	**16,635**	15,917
Transportation expenses	**10,454**	14,463
Utilities	**3,527**	3,565
Depreciation	**3,392**	3,475
Entertainment expenses	**1,503**	3,625
Travelling expenses	**693**	1,811
Other taxes and surcharges	**943**	1,191
Auditors' remuneration	**1,285**	1,126
Maintenance expenses	**695**	723
Amortisation of prepaid operating lease	**223**	225
Other expenses	**5,435**	4,117
Total cost of sales, distribution expenses and administrative expenses	**222,891**	236,230

7 FINANCE EXPENSES — NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income:		
— interest income	**396**	543
— exchange gains	**109**	–
	505	543
Finance expenses:		
— interest expenses	**(650)**	(941)
— discount charges on bank acceptance notes	**(325)**	–
— exchange losses	**–**	(151)
	(975)	(1,092)
Finance expenses — net	**(470)**	(549)

8 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax:		
— PRC corporate income tax	**(74)**	746
Deferred income tax:		
— PRC corporate income tax	**(1,218)**	939
	(1,292)	1,685

The Company was incorporated in the Cayman Islands as an exempted company with limited liability. Accordingly, it is exempted from Cayman Islands income tax. Its direct subsidiary in the BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from British Virgin Islands income tax.

No provision for Hong Kong profit tax was provided as the Group did not have assessable profit in Hong Kong for the year ended 31 December 2018 (2017: same).

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year ended 31 December 2018 (2017: same).

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "CIT Law"), which is effective from 1 January 2008. Under the CIT Law and the Implementation Rules of the CIT Law, the standard tax rate of the PRC entities was 25%.

The Group's subsidiary in the PRC was designated as High and New Technology Enterprise ("HNTE") for the three years ended 31 December 2018. Consequently, the subsidiary is entitled to preferential income tax rate of 15% for the year ended 31 December 2018 (2017: 15%). The directors consider that the subsidiary will continue to be granted the preferential tax treatment through an application of renewal. Accordingly, tax rate of 15% has been used in the calculation of the deferred income tax.

9 (LOSSES)/EARNINGS PER SHARE

(a) Basic

The basic (losses)/earnings per share is calculated on the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2018	2017
(Loss)/profit attributable to owners of the Company (RMB'000)	**(4,624)**	4,724
Weighted average number of shares in issue (thousands shares)	**500,000**	500,000
Basic (losses)/earnings per share (expressed in RMB per share)	**(0.92) cents**	0.94 cents

(b) Diluted

Diluted (losses)/earnings per share presented is the same as the basic (losses)/earnings per share as there were no potentially dilutive ordinary shares issued during the year ended 31 December 2018 (2017: same).

10 DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2018 (2017: same).

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND NOTES RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*	**121,641**	145,580
Less: provision for impairment of trade receivables	**(1,790)**	(1,046)
Trade receivables — net	**119,851**	144,534
Others	**2,682**	3,319
	122,533	147,853

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Notes receivables	**5,000**	3,499

(a) The ageing analysis of trade receivables based on invoice date as at 31 December 2018 is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**60,055**	82,098
31 days to 60 days	**22,809**	20,584
61 days to 90 days	**13,036**	26,658
91 days to 120 days	**14,999**	9,570
121days to 180 days	**7,020**	5,196
Over 180 days	**3,722**	1,474
	121,641	145,580

The Group's sales are usually made on credit terms of 30 to 180 days. As at 31 December 2018, trade receivables of RMB94,650,000 (31 December 2017: RMB109,823,000) were fully performing.

As at 31 December 2018, trade receivables of RMB26,991,000 (31 December 2017: RMB35,757,000) were past due. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
61 days to 90 days	**9,355**	21,140
91 days to 120 days	**6,894**	8,696
121 days to 180 days	**7,020**	4,447
Over 180 days	**3,722**	1,474
	26,991	35,757

12 TRADE AND OTHER PAYABLES AND NOTES PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(Note (a))*	**91,872**	112,455
Accrual for staff costs and allowances	**1,994**	1,939
Payables for acquisition of property, plant and equipment	**56**	2,492
Other tax payables	**1,730**	2,296
Other payables	**8,228**	2,784
	103,880	121,966

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Notes payables — bank acceptance notes	**59,600**	62,313

(a) The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Less than 30 days	**55,716**	80,929
31 to 60 days	**12,853**	15,634
61 to 90 days	**–**	5,227
91 to 180 days	**16,821**	6,968
Over 180 days	**6,482**	3,697
	91,872	112,455

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production of metallised packaging paper for cigarette package manufacturers, having an operating history of more than 10 years, with two main lines of products, being transfer metallised paper and laminated metallised paper. In 2015, the Group had the largest market share of 16.0% in Hubei Province, China in terms of sales of cigarette packaging paper. Our customers include some of the "Top 100 Enterprises" in the printing industry awarded by the 2017 China Printing Manager Annual Conference, including Hubei Golden and other leading cigarette package manufacturers in China, such as Beijing Leigh–mardon Pacific Packaging Co., Ltd., Wuhan Hongzhicai Packaging Company Limited and Wuhan Hongjinlong Printing Company Limited.

MARKET REVIEW

In 2017, the "Action Plan on Key Mission of Three Eliminations, One Decrease and One Addition (2017-2018)" issued by the State Tobacco Monopoly Administration stimulated industry-wide destocking. The Action Plan requires that the total amount of national tobacco stocks must not exceed 50 million boxes by the end of 2017. Consequently, there was a significant decrease in the year-end stocking of customers. Although the inventory has been destocked to a lower stock level at the end of 2018, the influence of Chinese policy framework towards the tobacco industry has brought down the total production by approximately 10%, from 51 million boxes to 46 million boxes in the year of 2018.

BUSINESS REVIEW

Sales and Marketing

During the period under review, the Group continued to expand into new markets in China. We are committed to bringing in new clients through non–tendering ways like business negotiations. For the year ended 31 December 2018, there are 9 projects currently going through tendering or under negotiations. It has been a low season for the cigarette packaging industry since early 2018. Through our communication with the clients to follow up on their production status and understanding the strategies of our competitors, the Group has consolidated the original market. New clients are also going through a phase of rapid development. The Group has explored new customers in Yunnan Province, Guangdong Province, Hubei Province, and Jiangsu Province. The Group experienced drops in sales, primarily owing to the lower demand for transfer metallised paper from two of the Group's main customers, while there is a significant increase in revenue from laminated metallised paper and processing service.

In 2018, a general offer was made to the shareholders of the Company from 19 November 2018 to 10 December 2018 and the control in the Group changed and Champion Alliance International Corporation became the controlling shareholder of the Company. The change of controlling shareholder of the Company has not affected the business of the Group.

The Group hired a total of 11 sales representatives to formulate marketing strategies, devise marketing plans, manage sales business, organise cargo transportation and develop customer service model, in order to boost our sales. We place customer satisfaction the top priority. Our marketing team provides full services from product development, order protection, and market maintenance, to after–sales and technical services. Our sales representatives pay monthly visits to customers for in–depth communication and marketing trend proficiency, as well as organise half–yearly customer satisfaction survey to better understand customers' needs and to collect feedback.

Production Capacity

The Group operates and owns one production facility located in Yichang, Hubei Province in China with an aggregate gross floor area of approximately 10,800 sq.m.

The below table sets forth the production efficiency and utilisation rates of the production base for the year ended 31 December 2018, together with the comparative figures for the corresponding period in 2017. The actual production volume in the reporting period reduced by approximately 2.6% as compared with that of 2017, which was primarily due to the stricter control of tobacco production and the increase in the price of raw materials thus resulted in a reduction in the utilisation rate.

	Year ended 31 December	
	2018	2017
Production capacity (thousand metres)	**222,264**	222,264
Actual production volume (thousand metres)	**106,808**	112,577
Utilisation rate	**48.1%**	50.7%

The Group has employed part of the net proceeds raised from the listing of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 November 2016 (the "**Listing**") to upgrade current production facilities and expand capacity. Details on the use of net proceeds from the Listing will be laid out below under the section headed "Use of Net Proceeds from the Listing".

Quality Control

As of 31 December 2018, the Group had a total of 8 quality control staff members. The Group strictly complies with the quality control procedures to ensure our products meet the quality standards.

The Company is awarded with the certification and has passed the third party audit of environmental and occupational health safety management system in accordance with ISO14001: 2015 and GB/T28001–2011.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the revenue was approximately RMB217.5 million (2017: RMB238.3 million), representing a decrease of approximately 8.7% as compared with the same period in 2017. The decrease in revenue was primarily due to (i) the lower demand for our products caused by stricter control of tobacco production; (ii) fewer orders resulted from fiercer competition; and (iii) increasing demand for higher quality products owing to rising eco–awareness.

The following table sets forth the breakdown of the Group's revenue for the years ended 31 December 2018 and 2017:

	Year ended 31 December		
	2018	2017	Change
	RMB'000	*RMB'000*	*%*
Cigarette packaging product — transfer metallised paper	**190,080**	224,528	(15.3%)
Cigarette packaging product — laminated metallised paper	**26,677**	13,737	94.2%
Processing service income	**734**	45	1,531.1%
Total	**217,491**	238,310	(8.7%)

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 26.7% from approximately RMB44.9 million for the year ended 31 December 2017 to approximately RMB33.0 million for the year ended 31 December 2018. The decrease was due to the rising production cost caused by the increase in the prices of raw materials. The gross profit margin decreased by 3.8% from approximately 18.9% to 15.1%.

Other Income and Other Losses — Net

For the year ended 31 December 2018, the Group's other income consisted of rental income, subsidy income and sales of raw materials and waste materials. Other expenses and other losses included cost of rental and exchange losses. The net of other income and other losses decreased from approximately RMB5.9 million in 2017 to approximately RMB698,000 in 2018, mainly due to the receive of government grants of approximately RMB5.3 million in 2017.

Distribution Expenses

For the year ended 31 December 2018, distribution expenses mainly consisted of costs of (i) transportation expenses; (ii) staff costs; (iii) entertainment expenses; (iv) travelling expenses; and (v) other expenses. The distribution expenses decreased by RMB3.7 million to RMB14.2 million in 2018, as compared to RMB18.0 million in 2017. The decrease was mainly due to the decrease in transportation expenses.

Administrative Expenses

For the year ended 31 December 2018, administrative expenses mainly consisted of (i) staff costs; (ii) research and development expenses; (iii) depreciation and amortisation; (iv) entertainment expenses; (v) other taxes and surcharges; and (vi) other expenses. Administrative expenses decreased from approximately RMB24.9 million in 2017 to approximately RMB24.1 million in 2018. The decrease in administrative expenses of the Group was mainly due to the decrease in other taxes and surcharges.

Finance Expenses — Net

For the year ended 31 December 2018, net finance expenses represented the net amount of finance income and finance expenses. Finance income consisted of interest income from bank deposits and exchange gains. Finance expenses consisted of interest expenses from bank borrowings and discount charges on bank acceptance notes. The net finance expenses were approximately RMB470,000 in 2018, as compared to approximately RMB549,000 in 2017. The decrease in net finance expenses was mainly due to the decrease in interest expenses from bank borrowing.

Income Tax (Credit)/Expense

The Group's income tax credit was approximately RMB1.3 million in 2018. The Group's income tax expense was approximately RMB1.7 million in 2017.

(Loss)/Profit Attributable to Equity Holders of the Company

For the year ended 31 December 2018, the Group's loss attributable to equity holders of the Company was approximately RMB4.6 million (profit attributable to equity holders of the Company for the year ended 31 December 2017: approximately RMB4.7 million). The turnaround from profit to loss was mainly due to the decrease in sales of transfer metallised paper.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group recorded net current assets of approximately RMB66.2 million as at 31 December 2018, while the net current assets as at 31 December 2017 was approximately RMB67.9 million.

Borrowings and Gearing Ratio

The total borrowings of the Group as at 31 December 2018 were RMB15.0 million (as at 31 December 2017: RMB15.0 million). The Group's gearing ratio increased from approximately 14.6% as at 31 December 2017 to approximately 18.1% as at 31 December 2018. The increase in the gearing ratio is primarily from the increase in amounts due to a third party. Gearing ratio was calculated by dividing total debt (which consisted of borrowings, amounts due to a third party and amounts due to a related party) by total equity as at the dates indicated and multiplied by 100%.

Capital Expenditure

During the year ended 31 December 2018, the Group's total capital expenditure amounted to approximately RMB352,000, which was mainly used in acquisition of office equipment and assets under construction (2017: approximately RMB3.9 million).

Treasury Policies

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

Capital Structure

The capital structure of the Group consists of equity attributable to owners of the Company, which comprises issued share capital and reserves. During the year ended 31 December 2018, there had been no change in the number of issued share in the Company.

Charge on Assets

The Group's borrowings and notes payables were secured by its prepaid operating lease, property, plant and equipment, notes receivables, restricted cash and trade receivables. The following table sets forth the carrying amounts of assets pledged to secure the borrowings and notes payables:

	As at 31 December 2018	As at 31 December 2017
	RMB'000	*RMB'000*
Prepaid operating lease	**11,767**	12,104
Property, plant and equipment	**25,367**	23,725
Trade receivables	**24,940**	17,047
Restricted cash	**38,120**	38,719
Total	**100,194**	91,595

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There were no significant investments, material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group for the year ended 31 December 2018 (2017: nil).

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities (as at 31 December 2017: nil).

Foreign Exchange Risk

The Group's transactions were mainly conducted in RMB, the functional currency of the Group, and the major receivables and payables were denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, amounts due to a related party and other payables maintained in Hong Kong dollars ("HK$"). The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the year ended 31 December 2018 (for the year ended 31 December 2017: nil).

Human Resources and Remuneration

As at 31 December 2018, the Group employed 152 employees (as at 31 December 2017: 158) with total staff costs of approximately RMB16.6 million incurred for the same year (for the year ended 31 December 2017: approximately RMB15.9 million). The increase of staff costs of the Group was mainly due to the increase in directors' emoluments. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Final Dividend

The Board proposed not to declare any final dividend for the year ended 31 December 2018 (2017: nil).

Use of Net Proceeds from the Listing

The Shares were listed on the Main Board of the Stock Exchange on 25 November 2016 with actual net proceeds from the Listing of approximately HK$42.2 million (equivalent to approximately RMB37.6 million) (after deducting underwriting commissions and related expenses). Part of the proceeds has been used in plant electricity distribution work, purchase of production equipment, improvement work of air–conditioning system and investment in operation, market expansion and technical development as contemplated under the prospectus of the Company dated 15 November 2016 (the "Prospectus"). Actual amount of the net proceeds utilised up to 31 December 2018 amounted to approximately RMB13.4 million. As of the date of this announcement, unutilised net proceeds amounted to approximately RMB24.2 million, which is intended to be invested primarily in production plant, equipment upgrade and technique development according to the disclosure in the section headed "Future Plan and Use of Proceeds" in the Prospectus. As at 31 December 2018, the unutilised portion of the proceeds of approximately RMB24.2 million was placed in interest bearing account with banks and financial institutions in accordance with the disclosure in the Prospectus.

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this announcement, there is no other plan for material investments or capital assets as at 31 December 2018.

Capital Commitments

As at 31 December 2018, the Group did not have any capital commitments (as at 31 December 2017: nil).

FUTURE OUTLOOK

Looking forward, China's economic growth is anticipated to remain stable and the tobacco sector in the country will continue to witness industry upgrades. By changing our product structure, launching new products and stepping up our efforts in sales and marketing, the Group is optimistic towards the future development of the cigarette packaging industry, despite the lower demand for our products caused by stricter control of tobacco production.

With the arrival of the peak season, the demand is expected to increase. Relevant product development for new customers has matured and will gradually translate into new orders. Meanwhile, the Group will solidify existing markets, continue joining the upcoming tender bidding in 2019 and engaging in business negotiation proactively, with a view to obtaining new orders and new customers, thus expanding the market shares.

A general offer was made to the shareholders of the Company from 19 November 2018 to 10 December 2018 and there was a change in control in the Company. The Group will review its business and operations and seek new opportunities to enhance and strengthen the business of the Group. In view of the continuous improvement in the living standards of customers in Mainland China, there is an immense potential for further growth in the domestic market for the consumption of household paper and new energy supply, such as steam, heating, and electricity, within the country. In the coming year, we will strive to expand our business in processing, production, and sales of household paper products and sales of steam, heating and electricity, while solidify existing cigarette packaging business. With the controlling shareholder's experience, background and resources, we are able to provide favorable conditions for business development and explore new markets in the future. We will continue to strive for better results and thus to maximise returns to shareholders.

CORPORATE GOVERNANCE

As a publicly listed company, the Directors recognize the importance of good corporate governance standards and internal procedures so as to achieve effective accountability and enhance shareholders' value. The Directors were of the view that the Company has complied with all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") for the year ended 31 December 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") on terms no less exacting than those set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, each of them confirmed that he has complied in full with the Model Code for the year ended 31 December 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company throughout the year ended 31 December 2018.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

On 17 January 2019, an extraordinary general meeting was held to approve by way of special resolution (i) the change of the English name of the Company from "Mengke Holdings Limited" to "Champion Alliance International Holdings Limited" and its dual foreign name in Chinese from "盟科控股有限公司" to "冠均國際控股有限公司" and (ii) the consequential amendment to the Memorandum and Articles of Association of the Company. All special resolutions proposed at the extraordinary general meeting were duly passed and the change of name became effective on 20 January 2019. For further information, please refer to the circular of the Company dated 31 December 2018 and the poll results announcement dated 17 January 2019.

In addition, on 20 March 2019, the Company adopted the new English and Chinese stock short name "CHAMP ALLI INTL" and "冠均國際控股" and new Company logo, which reflects the new corporate image brought by the change of Company names. For further information, please refer to the announcement of the Company dated 15 March 2019.

Other than the above, there was no material subsequent event after 31 December 2018 up to the date of this announcement which requires disclosure.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company is scheduled to be held on Monday, 27 May 2019 (the "**2019 AGM**"). Notice and circular of the 2019 AGM will be delivered to shareholders in accordance with the Listing Rules and the Articles of Association in due course.

For the purpose of determining shareholders who are entitled to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Tuesday, 21 May 2019 to Monday, 27 May 2019 (both dates inclusive), during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2019 AGM, all completed share transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Monday, 20 May 2019.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Chan Yee Ping Michael (as chairman). Mr. Chen Hua and Mr. Zhao Zhendong. The Audit Committee has reviewed the Company's consolidated financial statements for the year ended 31 December 2018 and is of the view that the preparation of such consolidated financial statements complied with applicable accounting standards and requirements and has discussed the internal control and financial reporting process with the management of the Group and external auditor.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual consolidated results announcement is published on the Company's website at www.mengkeholdings.com and the Stock Exchange's website at www.hkexnews.hk. The 2018 Annual Report is expected to be despatched to the shareholders of the Company on or before Wednesday, 24 April 2019 and will be available on the above websites.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as the shareholders of the Company, business associates and other professional parties for their continuous support to the Group throughout the year.

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

Hong Kong, 28 March 2019

As at the date of this announcement, the Board comprises Mr. Chen Shuming, Mr. He Guangrui, Mr. Chen Xiaolong, Mr. Hu Enfeng, Mr. Zhang Shihua and Mr. Zhan Qingtao as executive Directors and Mr. Chen Hua, Mr. Zhao Zhendong and Mr. Chan Yee Ping Michael as independent non-executive Directors.