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Champion Alliance International Holdings Limited

冠均國際控股有限公司

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

(Stock Code: 1629)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Revenue for the year ended 31 December 2021 decreased by approximately 13.4% or RMB76.3 million to approximately RMB492.4 million.
- Gross profit for the year ended 31 December 2021 increased by approximately 20.4% or RMB17.5 million to approximately RMB102.9 million.
- Profit attributable to equity holders of the Company for the year ended 31 December 2021 was approximately RMB24.4 million as compared to the loss attributable to equity holders of the Company of approximately RMB0.5 million for the year ended 31 December 2020.
- Basic earnings per share of the Company for the year ended 31 December 2021 was approximately RMB4.79 cents as compared to basic loss per share of the Company of approximately RMB0.10 cents for the year ended 31 December 2020.
- The Board proposed not to declare any final dividend for the year ended 31 December 2021.

RESULTS

For the reasons explained below under “Review of Unaudited Annual Results”, the auditing process for the annual results of Champion Alliance International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 has not been completed and the Company is unable to publish an annual results announcement that has been agreed with the Company’s auditors by 31 March 2022 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). In the meantime, the board of directors (the “**Board**”) of the Company is pleased to announce the unaudited consolidated financial statements of the Group for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Revenue	5	492,414	568,701
Cost of sales		(389,556)	(483,300)
Gross profit		102,858	85,401
Other income and gains	6	9,314	2,625
Selling and distribution expenses		(26,722)	(40,738)
Administrative expenses		(22,255)	(23,664)
Impairment of trade receivables, net		(9,091)	(1,283)
Other expenses		(8,424)	(8,311)
Finance costs	7	(3,649)	(7,658)
Profit before income tax	8	42,031	6,372
Income tax expense	9	(17,760)	(6,849)
Profit/(loss) for the year		24,271	(477)
Other comprehensive income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of the Company’s financial statements into its presentation currency		2,107	1,517
Total comprehensive income		26,378	1,040

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 <i>RMB'000</i> <i>(Audited)</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		24,361	(527)
Non-controlling interests		<u>(90)</u>	<u>50</u>
		<u>24,271</u>	<u>(477)</u>
Total comprehensive income attributable to:			
Owners of the Company		26,468	990
Non-controlling interests		<u>(90)</u>	<u>50</u>
		<u>26,378</u>	<u>1,040</u>
Earnings/(loss) per share			
– Basic and diluted (<i>RMB cents per share</i>)	10	<u>4.79</u>	<u>(0.10)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		230,317	24,523
Investment property		4,086	4,350
Right-of-use assets		50,758	24,097
Computer software		47	66
Prepayments for property, plant and equipment		4,932	–
		<hr/>	<hr/>
Total non-current assets		290,140	53,036
CURRENT ASSETS			
Inventories		64,051	78,209
Trade and bills receivables	12	93,379	165,172
Prepayments, deposits and other receivables		44,562	20,456
Income tax recoverable		280	963
Restricted cash		26,641	48,721
Cash and cash equivalents		149,796	66,459
		<hr/>	<hr/>
Total current assets		378,709	379,980
CURRENT LIABILITIES			
Trade and bills payables	13	125,891	175,379
Other payables and accruals		125,386	71,115
Income tax payable		8,783	1,253
Bank and other borrowings		41,136	48,462
Lease liabilities		449	12,840
Deferred government grants		524	–
		<hr/>	<hr/>
Total current liabilities		302,169	309,049
NET CURRENT ASSETS		<hr/> 76,540	<hr/> 70,931
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 366,680	<hr/> 123,967

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
NON-CURRENT LIABILITIES		
Other payables	2,340	–
Lease liabilities	–	461
Deferred government grants	<u>24,219</u>	<u>798</u>
Total non-current liabilities	<u>26,559</u>	<u>1,259</u>
NET ASSETS	<u>340,121</u>	<u>122,708</u>
EQUITY		
Share capital	4,838	4,459
Reserves	<u>240,858</u>	<u>117,342</u>
Equity attributable to owners of the Company	245,696	121,801
Non-controlling interests	<u>94,425</u>	<u>907</u>
TOTAL EQUITY	<u>340,121</u>	<u>122,708</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Champion Alliance International Holdings Limited (the “**Company**”) is a limited liability company incorporated in the Cayman Islands and shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the Company’s principal place of business in Hong Kong is located at Room A, 17th Floor, Capitol Centre Tower II, 28 Jardine’s Crescent, Causeway Bay, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally involved in the following activities:

- manufacture and sale of cigarette packaging materials and provision of related processing services in the mainland (“**Mainland China**”) of the People’s Republic of China (the “**PRC**” or “**China**”);
- production and sale of steam for industrial use, heating and electricity in Mainland China; and
- trading of household paper products in Mainland China.

In the opinion of the directors of the Company, the immediate holding company and the ultimate holding company of the Company is Champion Alliance International Corporation, which is incorporated in the British Virgin Islands (the “**BVI**”).

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all 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 financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The functional currency of the Company is Hong Kong dollars, while these financial statements are presented in Renminbi (“**RMB**”). As the management ordinarily uses RMB for management reporting purposes, the directors of the Company consider that it will be more appropriate to adopt RMB as the Group’s and the Company’s presentation currency. All values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or revised HKFRSs – effective on 1 January 2021

The Hong Kong Institute of Certified Public Accountants has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

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 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁴
Amendments to HKAS 8	Definition of Accounting Estimates ⁴
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction 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 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

The directors of the Company are currently assessing the impact that the application of these amendments will have on the Group’s consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

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

- (a) the cigarette packaging products segment manufactures and sells cigarette packaging products and provides related processing service in Mainland China;
- (b) the new energy operation segment engages in the production and sale of steam for industrial use, heating and electricity in Mainland China; and
- (c) the household paper products segment trades household paper products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, finance costs as well as head office and corporate income and expenses are excluded from such measurement.

Segment revenue and results

	Cigarette packaging products		New energy operation		Household paper products		Total	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Segment revenue (note 5)								
Revenue from external customers	<u>165,146</u>	<u>217,468</u>	<u>156,605</u>	<u>115,379</u>	<u>170,663</u>	<u>235,854</u>	<u>492,414</u>	<u>568,701</u>
Segment results	<u>(15,203)</u>	<u>511</u>	<u>55,704</u>	<u>22,783</u>	<u>16,712</u>	<u>5,037</u>	<u>57,213</u>	<u>28,331</u>
Bank interest income							830	291
Corporate and other unallocated expenses							(12,363)	(14,592)
Finance costs							<u>(3,649)</u>	<u>(7,658)</u>
Profit before income tax							<u><u>42,031</u></u>	<u><u>6,372</u></u>

Segment assets and liabilities

Segment assets and liabilities information is not disclosed as they are not regularly reviewed by the chief operating decision maker.

Other segment information

	Cigarette packaging products		New energy operation		Household paper products		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Depreciation of items of property, plant and equipment								
– Operating segments	2,569	3,396	3,003	–	–	–	5,572	3,396
– Amount unallocated							40	31
							<u>5,612</u>	<u>3,427</u>
Depreciation of investment property	264	264	–	–	–	–	264	264
Depreciation of right-of-use assets								
– Operating segments	326	325	10,003	10,754	–	–	10,329	11,079
– Amount unallocated							1,016	558
							<u>11,345</u>	<u>11,637</u>
Amortisation of computer software	19	27	–	–	–	–	19	27
Impairment of trade receivables, net	10,374	–	(1,283)	1,283	–	–	9,091	1,283
Capital expenditure*								
– Operating segments	95	1,505	251,689	11,829	–	–	251,784	13,334
– Amount unallocated							5	2,250
							<u>251,789</u>	<u>15,584</u>

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and computer software.

Geographical information

No geographical information is presented as the Group's revenue is solely derived from Mainland China and more than 90% of the Group's non-current assets were located in Mainland China.

Information about major customers

During the year ended 31 December 2021, one (2020: two) external customers individually contributed 10% or more to the Group's total revenue for the year and the revenue generated from sales to each of these customers is set out below:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Cigarette packaging products segment:		
Customer A	63,349	79,427
Customer B	N/A	58,072

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

5. REVENUE

An analysis of the Group's revenue is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Sales of goods	491,423	550,059
Processing service income	991	18,642
	<u>492,414</u>	<u>568,701</u>

6. OTHER INCOME AND GAINS

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Bank interest income	830	291
Rental income	934	934
Subsidy income	146	146
Government grants*	4,146	617
Other income	3,222	130
Gain on lease modification	36	–
Gain on disposal of property, plant and equipment	–	89
Net foreign exchange gains	–	418
	<u>9,314</u>	<u>2,625</u>

* For the year ended 31 December 2021, the Group obtained government grants from the PRC government supporting the Group's vocational skills training and research and development of new anti-counterfeiting paper and stabilising (2020: government grants from the PRC government supporting the Group's research and development of new anti-counterfeiting paper, stabilising, and also obtained grants from Employment Support Scheme under the Anti-epidemic Fund launched by the government of Hong Kong Special Administrative Region supporting the payroll of the Group's employees in Hong Kong). There were no conditions to be fulfilled or contingencies related to these grants.

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Interest on bank and other borrowings	3,354	7,381
Interest on lease liabilities	295	277
	<u>3,649</u>	<u>7,658</u>

8. PROFIT BEFORE INCOME TAX

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Cost of inventories sold	363,809	442,592
Depreciation of items of property, plant and equipment	5,612	3,427
Less: Amount included in cost of inventories sold	<u>(4,354)</u>	<u>(2,114)</u>
	<u>1,258</u>	<u>1,313</u>
Depreciation of right-of-use assets	11,345	11,637
Less: Amount included in cost of inventories sold	<u>(10,071)</u>	<u>(10,822)</u>
	<u>1,274</u>	<u>815</u>
Depreciation of investment property [#]	264	264
Amortisation of computer software*	19	27
Lease payments not included in the measurement of lease liabilities*	61	59
Auditor's remuneration*		
– annual audit	1,433	1,300
– other services	<u>372</u>	<u>–</u>
	<u>1,805</u>	<u>1,300</u>
Impairment of trade receivables, net	9,091	1,283
Employee benefit expenses (excluding directors' remuneration):		
Salaries, bonus and benefits in kind	20,271	16,557
Retirement benefit scheme contributions	<u>2,153</u>	<u>1,306</u>
	<u>22,424</u>	<u>17,863</u>
Less: Amount included in cost of inventories sold	<u>(9,814)</u>	<u>(7,676)</u>
	<u>12,610</u>	<u>10,187</u>
Loss on disposal of property, plant and equipment [#]	16	–
Research and development costs [#]	<u>7,337</u>	<u>8,047</u>

- * This item is included in “Administrative expenses” on the face of the consolidated statement of profit or loss and other comprehensive income.
- # This item is included in “Other expenses” on the face of the consolidated statement of profit or loss and other comprehensive income.

9. INCOME TAX EXPENSE

An analysis of the Group’s income tax is as follows:

	2021 <i>RMB’000</i> (Unaudited)	2020 <i>RMB’000</i> (Audited)
Current tax – Mainland China		
– tax for the year	18,110	6,869
– overprovision in respect of prior years	(350)	(20)
	<u>17,760</u>	<u>6,849</u>
Income tax expense	<u>17,760</u>	<u>6,849</u>

No provision for Hong Kong profits tax has been made for the year ended 31 December 2021 as the Group did not generate any assessable profits arising in Hong Kong during the year (2020: Nil).

Taxes on profits assessable in Mainland China have been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the prevailing legislation, interpretations and practices in respect thereof.

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings (2020: loss) per share attributable to the owners of Company is based on the following data:

	2021 <i>RMB’000</i> (Unaudited)	2020 <i>RMB’000</i> (Audited)
Earnings/(loss)		
Profit/(loss) for the year attributable to owners of the Company	<u>24,361</u>	<u>(527)</u>
	2021	2020
Number of shares		
Weighted average number of ordinary shares	<u>508,081,979</u>	<u>500,000,000</u>

Diluted earnings/(loss) per share amount was the same as basic earnings/(loss) per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 31 December 2021 and 2020.

11. DIVIDEND

The board of directors does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

12. TRADE AND BILLS RECEIVABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade receivables	106,496	170,348
Less: Impairment	<u>(14,267)</u>	<u>(5,176)</u>
Trade receivables – net	92,229	165,172
Bills receivables	<u>1,150</u>	<u>–</u>
	<u>93,379</u>	<u>165,172</u>

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 1 month	54,404	52,514
1 to 2 months	19,594	47,208
2 to 3 months	6,394	27,268
3 to 4 months	5,740	21,648
Over 4 months	<u>7,247</u>	<u>16,534</u>
	<u>93,379</u>	<u>165,172</u>

13. TRADE AND BILLS PAYABLES

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Trade payables	73,747	96,667
Bills payables	<u>52,144</u>	<u>78,712</u>
	<u>125,891</u>	<u>175,379</u>

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

	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Audited)
Within 1 month	82,577	122,360
1 to 2 months	14,078	22,771
2 to 3 months	5,628	6,604
Over 3 months	<u>23,608</u>	<u>23,644</u>
	<u>125,891</u>	<u>175,379</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production and sale of metallised packaging paper for cigarette package manufacturers. The Group has an operating history of more than 10 years, with two main line of products, being transfer metallised paper and laminated metallised paper. Since 2019, the Group successfully diversified its business with household paper products and new energy operation (steam for industrial use, household heating, and electricity supply). The Group will hence continue to stride with its three core businesses.

MARKET REVIEW

In 2021, the global economy continued to pick up from the pandemic of the novel coronavirus (“**COVID-19**”), resurgence of the infections and the new Delta and Omicron variants posed new threats to the many economies across the world. Since the pandemic had been largely contained in People’s Republic of China (“**PRC**” or “**China**”), industrial production and economic activities has gradually recovered to pre-pandemic level. The country’s economy showed resilience as it witnessed a full-year gross domestic product (“**GDP**”) expansion of 8.1% in 2021, exceeding the government’s target of 6%. However, China’s economy continued to slow down as the country’s GDP growth rate for the fourth quarter of 2021 dropped from 4.9% (third quarter) to 4% due to factors including the government’s continued deleveraging efforts and weaker domestic spending.

BUSINESS REVIEW

i. Cigarette packaging products

Hubei Mengke Paper Co., Ltd (湖北盟科紙業有限公司) (“**Hubei Mengke**”), a subsidiary of the Company engaging in the production and processing of cigarette packaging products in Hubei Province.

Hubei Province was one of the hardest hit regions when the COVID-19 first broke out in the country. Fortunately, the provincial economy gained momentum with a full-year GDP of approximately RMB5,001.3 billion, a year-on-year increase of 12.9%. The consumer market in Hubei Province has also witnessed a tremendous recovery throughout the year. In 2021, retails sales of consumer goods in the province reached RMB2,156.1 billion, up 19.9% year on year.

The government of the PRC extended its effort in the structural reform of the tobacco market, which included cigarette control, promotion of mental and physical health, and cancer prevention. To address these regulatory changes and align with the government's long-term vision to the market development, the Group strived to keep a close tie with its existing customers, suppliers and government authorities, while expanding sales and marketing efforts to engage with potential customers for new business opportunities.

ii. Steam for industrial use and heating and electricity

During the reporting period, the Group's new energy business relied on a professional technology management team of a heating and electricity company which provides integrated services solutions for high-efficiency clean coal technology, clean production, energy saving, and environmental protection. Through these solutions, the Group has helped the country's clean energy industry to transform, upgrade and tackle the long-existing heating supply problem in urban areas and industrial parks.

The continued development of the domestic economy and industrial activities has prompted a substantial growth in energy demand, especially from industrial parks. With the industrial and manufacturing activities slowly returning to pre-pandemic level and favourable government policies to drive investment in this space, we witnessed an increasing application of combined heat and power, which subsequently boosted the investment in total installed generation capacity in the country.

During the reporting period, revenue of this segment was approximately RMB156.6 million, representing an increase of approximately 35.7% as compared to the corresponding period in 2020.

iii. Household paper products

With the growing wealth and disposable income of people in China, health awareness continued to increase, which has driven the demand for high-quality household paper products, in particular since the outbreak of COVID-19.

Our partnering brands are widely recognised in China for years and have been chosen as the "China's 500 Most Valuable Brands" for years. During the reporting period, revenue of this segment was approximately RMB170.7 million.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2021, total revenue of the Group was approximately RMB492.4 million, representing a decrease of approximately RMB76.3 million over the total revenue of approximately RMB568.7 million for the corresponding period in 2020. Such decrease was because of the decrease in the sale of cigarette packaging materials and household paper products.

The following table sets forth the breakdown of the Group's revenue for the year ended 31 December 2021 and 2020:

	For the year ended 31 December		Change
	2021	2020	
	RMB'000	RMB'000	%
Cigarette packaging products			
– transfer metallised paper	151,118	177,956	(15.1)
– laminated metallised paper	13,037	20,870	(37.5)
Processing service income	991	18,642	(94.7)
Steam for industrial use and heating and electricity	156,605	115,379	35.7
Household paper products	170,663	235,854	(27.6)

i. Cigarette packaging business

Revenue of the cigarette packaging business decreased to approximately RMB164.2 million for the year ended 31 December 2021 from RMB198.8 million for the corresponding period in 2020. Such decrease was mainly because of a drop in sales volume of cigarette packaging products.

ii. Other businesses

To enhance and reinforce its business, the Group launched other businesses in early 2019. Other businesses mainly include sale of household paper products, as well as sale of steam for industrial use and heating and electricity.

Other businesses contributed revenue of approximately RMB327.3 million in 2021, representing a decrease of 6.8% from the year ended 31 December 2020. The decrease was mainly attributable to a higher base in sales of household paper products in 2020 resulting from the robust consumers' demand for household paper products amidst the outbreak of the novel coronavirus.

Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately RMB85.4 million for the year ended 31 December 2020 to approximately RMB102.9 million for the year ended 31 December 2021. The increase was mainly due to the effectiveness in cost control of the Group. Gross profit margin increased from approximately 15.0% for the year ended 31 December 2020 to approximately 20.9% for the year ended 31 December 2021.

Other Income and Gains

For the year ended 31 December 2021, the Group's net other income and gains mainly consisted of rental income, bank interest income, subsidy income, government grants, and other income. The other income and gains increased by approximately 254.8% to approximately RMB9.3 million for the year ended 31 December 2021 from approximately RMB2.6 million for the year ended 31 December 2020. The increase was mainly due to the governmental subsidies received for the reporting period.

Selling and Distribution Expenses

During the reporting period, selling and distribution expenses mainly consisted of (i) costs of transportation expenses, (ii) staff costs, (iii) entertainment expenses, (iv) travelling expenses and (v) other expenses. The Group's selling and distribution expenses decreased by approximately 34.4% from approximately RMB40.7 million for the year ended 31 December 2020 to approximately RMB26.7 million for the year ended 31 December 2021. The decrease in selling and distribution expenses was mainly due to the decrease in revenue.

Administrative Expenses

For the year ended 31 December 2021, administrative expenses mainly consisted of (i) staff costs, (ii) depreciation and amortisation, (iii) entertainment expenses, (iv) office expenses and (v) legal and professional fee. Administrative expenses decreased from approximately RMB23.7 million for the year ended 31 December 2020 to approximately RMB22.3 million for the year ended 31 December 2021. The decrease in administrative expenses of the Group was mainly due to the decrease of staff costs and repair and maintenance expenses for the reporting period.

Other Expenses

For the year ended 31 December 2021, the Group's other expenses consisted of research and development expenses and depreciation. The net other expenses were approximately RMB8.4 million for the year ended 31 December 2021 as compared to approximately RMB8.3 million for the year ended 31 December 2020.

Finance Costs

Finance costs consisted of interest expenses from bank and other borrowings and interest on lease liabilities. The finance expenses were approximately RMB3.6 million for the reporting period (for the year ended 31 December 2020: RMB7.7 million). The decrease was mainly attributable to the decrease in interest expenses from a loan from an independent third party.

Income Tax Expense

The Group's income tax expense was approximately RMB17.8 million for the year ended 31 December 2021. The Group's income tax expense was approximately RMB6.8 million in the same period of 2020.

Profit/(Loss) Attributable to Owners of the Company

For the year ended 31 December 2021, the Group's profit attributable to owners of the Company was approximately RMB24.4 million. Loss attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB0.5 million. The profit was mainly attributable to the effectiveness in cost control and governmental subsidies received during the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

Net Current Assets

The Group recorded net current assets of approximately RMB76.5 million as at 31 December 2021, while the net current assets as at 31 December 2020 was approximately RMB70.9 million.

Borrowings and Gearing Ratio

The total borrowings of the Group as at 31 December 2021 were approximately RMB41.1 million (as at 31 December 2020: RMB48.5 million). The Group's gearing ratio decreased from approximately 53.7% as at 31 December 2020 to approximately 27.9% as at 31 December 2021. The decrease in the gearing ratio was primarily a result of the decrease in bank borrowings and lease liabilities. Gearing ratio was calculated by dividing total debt (which mainly consisted of bank and other borrowings, amount due to the ultimate holding company, amount due to a company controlled by a former director, amount due to a company controlled by a director of a subsidiary, amount due to a director of a subsidiary, amount due to a former shareholder of a subsidiary and lease liabilities) by total equity as at the dates indicated and multiplied by 100%.

Capital Expenditure

During the year ended 31 December 2021, the Group's total capital expenditure amounted to approximately RMB251.8 million, which was mainly used in plant and machinery and office equipment (year ended 31 December 2020: RMB15.6 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

As at 31 December 2021, the capital structure of the Group consists of equity attributable to owners of the Company, which comprises issued share capital and reserves. The numbers of the Company's issued shares (the "Shares") have increased to 546,092,537 as at 31 December 2021 (year ended 31 December 2020: 500,000,000), while there is no change in the number of authorized share capital during the year.

Charge on Assets

The Group's borrowings and notes payables were secured by its property, plant and equipment, investment property, right-of-use assets and restricted cash. The following table sets forth the carrying amounts of assets pledged to secure the bank borrowings and bills payables:

	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Property, plant and equipment	12,809	13,927
Investment property	4,086	4,350
Right-of-use assets	10,388	10,714
Restricted cash	26,641	48,721
Total	<u>53,924</u>	<u>77,712</u>

In addition to the above, as at 31 December 2021, the Group has pledged the equity interest in a wholly-owned subsidiary to secure the other borrowing of the Group.

MAJOR TRANSACTION

To capture the growing market opportunities, on 8 July 2021, Champion Alliance (Shandong) New Energy Limited Company* (冠均華盈(山東)新能源有限公司), an indirect 97% owned subsidiary of the Company, entered into an agreement with Shandong Ruidaote Investment Company Limited* (山東瑞奧特投資有限公司) and Qingdao Fenbaoli International Trade Company Limited* (青島芬寶利國際貿易有限公司) (collective, the “**Vendors**”), and China Coal Dongneng (Shandong) Clean Energy Company Limited* (中煤東能(山東)清潔能源有限公司) (the “**Target Company**”), to acquire the 51% equity interest in the Target Company held by the Vendors in aggregate for a total consideration of RMB102,940,000 (equivalent to HK\$123,528,000). The acquisition, which was completed on 27 October 2021, allowed the Group to gain control of the production facilities in order to secure the stable operation of its new energy operation.

Contingent Liabilities

As at 31 December 2021, the Group did not have any significant contingent liabilities (as at 31 December 2020: nil).

Foreign Exchange Risk

The Group’s transactions were mainly conducted in RMB, the functional currency of certain subsidiaries 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 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 2021 (year ended 31 December 2020: nil).

Human Resources and Remuneration

As at 31 December 2021, the Group employed 280 employees (as at 31 December 2020: 257) with total staff costs of approximately RMB24.9 million incurred for the same period (for the year ended 31 December 2020: approximately RMB22.0 million). The increase of staff costs of the Group was mainly due to the increase in direct labour costs. 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 2021 (year ended 31 December 2020: nil).

* For identification purpose only

Use of Net Proceeds from the Listing

The Company listed its Shares on the Stock Exchange on 25 November 2016 (the “**Listing Date**”). Net proceeds from the listing of the Shares (the “**Listing**”) (after deduction of the underwriting commission and relevant expenses) were approximately HK\$42.2 million (equivalent to approximately RMB37.6 million), which has been applied in the manner as disclosed in the prospectus of the Company dated 15 November 2016 (the “**Prospectus**”).

As at 31 December 2021, the net proceeds from the Listing has been utilised as follows:

	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus <i>RMB'000</i>	Approximate% of total actual net proceeds	Actual amount utilised from the Listing Date up to 31 December 2021 <i>RMB'000</i>	Balance as at 31 December 2021 <i>RMB'000</i>	Expected timeline for the remaining use of net proceeds <i>(Note)</i>	
					For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Purchase and upgrade of production equipment, as well as expansion and maintenance of the production facilities	23,303	62%	3,568	19,735	1,969	17,766
Expansion and upgrade of non-production facilities, including but not limited to warehouse and other supporting facilities	5,638	15%	1,334	4,304	226	4,078
Business development expenditures, including expanding the geographical coverage of sales network and research and development expenditures relating to the purchase of research and development equipment and to future research and development projects	4,886	13%	4,886	-	-	-
Working capital and general corporate purposes	3,758	10%	3,758	-	-	-
	<u>37,585</u>	<u>100%</u>	<u>13,546</u>	<u>24,039</u>	<u>2,195</u>	<u>21,844</u>

Note: The expected timeline for utilising the remaining net proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

As at 31 December 2021, unutilised proceeds amounted to approximately HK\$29.5 million (equivalent to approximately RMB24.0 million), which will be invested in production plant, equipment upgrade and technical development. The unutilised portion of the net proceeds has been placed as interest bearing deposits with licensed banks as restricted cash in the PRC. As at the date of this announcement, the Directors do not anticipate any change to the plan on the use of net proceeds.

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 2021.

Capital Commitments

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Commitments for the acquisition of:		
– Property, plant and equipment	<u>5,160</u>	<u>–</u>

PRINCIPAL RISKS AND UNCERTAINTIES

The following are some principal risks and uncertainties facing the Group, which may pose material and adverse effects on its business, financial condition or results of operations:

Increasingly Regulated Industry

The PRC tobacco industry is becoming increasingly regulated and our business is subject to various industry requirements. In 2014, the State Tobacco Monopoly Administration (中國國家煙草專賣局) published the Requirements for Design of Cigarette Package (《卷煙包裝設計要求》), which limits the cost of cigarette packaging by setting a maximum ratio on the packaging cost to the cigarette selling price to avoid excessive packaging. Under these requirements, the ratio for tier 1 to tier 3 cigarettes must be no more than 8% to 11% and the ratio for tier 4 to tier 5 cigarettes must be no more than 12%. Our products are primarily used for mid to high-end cigarette brands in tier 1 to tier 3. The PRC cigarette packaging industry could be negatively affected by these requirements or any future regulatory control, industry policies or applicable guidelines or requirements, as they may reduce cigarette manufacturers' spending on the PRC cigarette packaging or otherwise place negative pricing pressure on cigarette package manufacturers. This may cause cigarette package manufacturers to reduce their demand for our products or result in increased competition among cigarette packaging paper manufacturers which drives down the selling prices of our products.

In 2021, the Chinese government continued to step up its regulatory efforts in the tobacco and cigarette industry. During the reporting period, the State Tobacco Monopoly Administration issued the “Action Plan for Protecting Minors from Harm of Cigarette” (《保護未成年人免受煙侵害“守護成長”專項行動方案》), which specified plans for promoting education, protection and regulations on the subject matter. The Administration has also recently published “E-cigarette Control Measures” (《電子煙管理辦法》), which will become effective in May 2022. The Measures will reinforce e-cigarette control and tighten e-cigarette market regulation in terms of production and quality control, sales requirements and behaviours.

PRC Legislative Control and Awareness of Health Concerns

In recent years, the PRC government has promulgated a series of legislative and regulatory control on the cigarette industry including the proposed Regulations on Smoking Control in Public Areas (《公共場所控制吸煙條例》), which aims to tighten control of the Chinese cigarette industry and to curb the demand for cigarette consumption due to concerns for public health. Such tightened legislative and regulatory control include regulations limiting smoking in public areas, prohibition on certain types of tobacco advertising, as well as labelling requirements for cigarette packages. In addition, the PRC government promulgated the Opinions on Implementing Healthy China Action (《關於實施健康中國行動的意見》), pursuant to which a number of actions such as smoking control, promotion of mental health and cancer prevention will be introduced. Integrated measures including tariff and price adjustment will be studied to improve the effectiveness of smoking control.

In May 2021, the National Health Commission of the PRC published the “2020 Report on Health Hazards of Smoking in China” (《中國吸煙危害健康報告2020》). The Report showed that the Chinese smoking population had reached 300 million and the condition of the country’s smoking control still fell far behind the target specified in the Outline for Healthy China 2030 Initiatives (《健康中國2030規劃綱要》), which aimed to lower the smoking population to 20% of the total population of the country. Therefore, the government is anticipated to continue to promulgate new policies on cigarette and smoking control in the future.

In addition, the global trend of increasing awareness of health and the health hazards associated with cigarette smoking may negatively influence the sales of cigarette, which in turn would affect the demand for cigarette packaging in China and our sales of cigarette packaging paper.

Dependence on Cigarette Price and Economic Conditions in China

The slowdown in China’s economic growth in recent years has influenced the purchasing power of cigarette consumers, which in turn affected their willingness to spend on cigarettes and therefore, the amount of cigarettes consumption. In fact, according to the National Bureau of Statistics, total cigarette production volume was approximately 2,418.2 billion in 2021, representing a year-on-year growth of 1.3% only. Research from AskCI Consulting indicates that total income of tobacco enterprises above designated size is estimated to reach RMB977.4 billion and RMB995.4 billion in 2020 and 2021, respectively, representing a compound annual growth rate of 1.05% only between 2015 and 2021.

Intense Competition

Despite a large number of cigarette brands in China, “Dual 15 cigarette brands” (the top 15 brands with the highest sales from tier one and 2 cigarettes) contributed nearly 70% of total cigarette sales revenue in China in the first 10 months of 2020. With the country experiencing a slowdown in economy, and the continued regulatory tightening in terms of cigarette controls, further industry consolidation is expected in the future. This creates greater competition between the cigarette brands remaining in the market and increases the competition among cigarette manufacturers. On the other hand, the cigarette packaging paper manufacturing sector remains fragmented over the years. The low entry barrier has also attracted businesses from the upstream, such as raw materials suppliers and cigarette manufacturers to enter the market. According to industry report, there were over 200 industry players in the market, the top five manufacturers accounted for a total market share of approximately 12.6% in 2020 in terms of sales value. In the event that further restructuring or consolidation takes place among cigarette manufacturers in China, the number of cigarette manufacturers and cigarette brands will further reduce, resulting in a more competitive market for cigarette package manufacturers. In addition, if the number of cigarette packaging paper manufacturers continues to rise, these factors will ultimately intensify the competition of the cigarette packaging paper market.

Reliance on Major Customers

For the years ended 31 December 2020 and 2021, revenue from our five largest customers amounted to approximately RMB243.3 million and approximately RMB184.0 million, respectively, which accounted for approximately 42.8% and approximately 37.4% of our total revenue for the respective periods.

In order to reduce such reliance and widen our customer base, the Group plans to proactively expand into new markets such as Sichuan Province, Yunnan Province, Zhejiang Province and Hunan Province of China for easing the risk of concentration on income sources.

Details of the above principal risks and uncertainties and other risks and uncertainties facing the Group are set out in the section headed “Risk Factors” in the Prospectus.

KEY PERFORMANCE INDICATORS (“KPI”) WITH THE STRATEGY OF THE GROUP

The Group sets a number of KPIs to support the delivery of its strategies with its performance as below:

Strategy	KPIs	Performance
Maximise value for the Shareholders	Gross profit margin = 20.9% (2020: 15.0%)	The Group managed to maintain stable operational performance during the year with effective cost control measures and continued to expand into new markets.
Improve the Group’s liquidity	Cash and cash equivalents = RMB149.8 million (2020: RMB66.5 million) Current ratio = 1.3 (2020: 1.2) Gearing ratio = 27.9% (2020: 53.7%)	The Group adopts a policy to regularly monitor the liquidity requirements of the Group so as to ensure that it maintains sufficient reserves of cash and adequate committed credit facilities from major financial institutions to meet the liquidity requirements of the Group in the short and long term.
Strive for the “zero harm” safety goal	Accident rate = 0% (2020: 0%)	During the year, the Group has put adequate resources and efforts to uphold and improve its safety management system to reduce its risks related to safety issues. The Company successfully obtained the certification in OHSAS 18000 Occupational Health and Safety Assurance System.

FUTURE OUTLOOK

Following a strong recovery in 2021, COVID-19 and the new Omicron and Delta variants continued to challenge people’s livelihood. Rising geopolitical tensions, inflation pressure and other factors have posed new threats to the already vulnerable global economy. According to the World Bank’s latest Global Economic Prospects report, global growth is forecasted to decelerate substantially to 4.1% in 2022 from 5.5% in 2021, and further slow to 3.2% in 2023.

In China, after a marked slowdown of economic growth in the second half of 2021, the central government announced its “about 5.5%” GDP growth target for 2022. Subsequent to a series of deleveraging and regulatory overhaul in several sectors, the market anticipates that the government will roll out modest, additional stimulus measures to drive the country’s economic growth, with a focus to boost domestic consumption. We expect the long-term, stable economic development will continue to offer ample room for our business growth in the future as the overall operating environment will further improve in 2022.

Looking forward, the Group will continue to explore its household paper product and new energy operations. The business diversification has proved successful despite a relatively early stage for the Group as the household paper product and new energy operations have contributed significantly to the Group’s revenue and will continue to be our growth driver. On the other hand, the Group will keep a close eye on regulatory changes and cigarette control measures, and endeavour to refine its sales and marketing effort to navigate the evolving cigarette packaging sector. The Group will continue to strive for better results and thus to maximise returns to shareholders and society through its dedication to optimise its businesses.

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 Company has complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing of Securities on the Stock Exchange (“**Listing Rules**”) for the year ended 31 December 2021.

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 or she has complied in full with the Model Code for the year ended 31 December 2021.

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 2021.

IMPORTANT EVENT AFTER THE REPORTING PERIOD

There was no material subsequent event after 31 December 2021 up to the date of this announcement which requires disclosure.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chin Chi Ho Stanley (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 2021 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the 5th wave coronavirus disease (COVID-19) pandemic, the auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the delay in obtaining certain external confirmations from third parties for the audit of the Group. The unaudited annual results contained herein have not been agreed with the Company's auditors, but have been reviewed by the audit committee of the Company. An announcement relating to the audited results will be made when the auditing process has been completed, which is currently expected to be on or before 30 April 2022.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

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, 31 March 2022

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