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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

HIGHLIGHTS

- Revenue for the six months ended 30 June 2022 decreased by approximately 24.3% or RMB61.8 million to approximately RMB192.2 million.
- Gross profit for the six months ended 30 June 2022 decreased by approximately 16.4% or RMB8.9 million to approximately RMB45.4 million.
- The Group's loss attributable to owners of the Company for the six months ended 30 June 2022 was approximately RMB21.5 million.
- Loss per share of the Company for the six months ended 30 June 2022 was approximately RMB3.93 cents.
- The board of directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Champion Alliance International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”) together with the comparative results for the six months ended 30 June 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	5	192,208	253,968
Cost of sales		(146,804)	(199,637)
Gross profit		45,404	54,331
Other income and gains	6	1,628	5,621
Selling and distribution expenses		(13,120)	(18,632)
Administrative expenses		(12,063)	(13,158)
Impairment of inventory, net		(31,175)	–
Other expenses		(1,196)	(2,585)
Finance costs		(1,524)	(1,856)
(LOSS)/PROFIT BEFORE INCOME TAX	7	(12,046)	23,721
Income tax expense	8	(11,099)	(9,615)
(LOSS)/PROFIT FOR THE PERIOD		(23,145)	14,106
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of the Company's financial statements into its presentation currency		(2,953)	121
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD		(26,098)	14,227

		Six months ended 30 June	
		2022	2021
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
	Owners of the Company	(21,457)	13,349
	Non-controlling interests	(1,688)	757
		<u>(23,145)</u>	<u>14,106</u>
TOTAL COMPREHENSIVE			
(EXPENSE)/INCOME FOR THE PERIOD			
ATTRIBUTABLE TO:			
	Owners of the Company	(24,410)	13,470
	Non-controlling interests	(1,688)	757
		<u>(26,098)</u>	<u>14,227</u>
(LOSS)/EARNINGS PER SHARE			
	Basic and diluted (<i>RMB cents per share</i>)	9 <u>(3.93)</u>	<u>2.67</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		223,252	230,317
Investment property		3,955	4,086
Right-of-use assets		49,507	50,758
Computer software		45	47
Prepayments for property, plant and equipment		3,657	4,932
		<hr/>	<hr/>
Total non-current assets		280,416	290,140
CURRENT ASSETS			
Inventories		109,959	64,051
Trade and bills receivables	11	44,973	93,379
Prepayments, deposits and other receivables		37,093	44,562
Income tax recoverable		280	280
Restricted cash		13,635	26,641
Cash and cash equivalents		95,288	149,796
		<hr/>	<hr/>
Total current assets		301,228	378,709
CURRENT LIABILITIES			
Trade and bills payables	12	97,704	125,891
Other payables and accruals		72,738	125,386
Income tax payable		2,144	8,783
Bank and other borrowings		41,648	41,136
Lease liabilities		68	449
Deferred government grants		424	524
		<hr/>	<hr/>
Total current liabilities		214,726	302,169
NET CURRENT ASSETS		86,502	76,540
		<hr/> <hr/>	<hr/> <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		366,918	366,680
		<hr/> <hr/>	<hr/> <hr/>

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Other payables	28,676	2,340
Deferred government grants	24,219	24,219
	<hr/>	<hr/>
Total non-current liabilities	52,895	26,559
	<hr/> <hr/>	<hr/> <hr/>
NET ASSETS		
	314,023	340,121
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Share capital	4,838	4,838
Reserves	216,448	240,858
	<hr/>	<hr/>
Equity attributable to owners of the Company	221,286	245,696
Non-controlling interests	92,737	94,425
	<hr/>	<hr/>
TOTAL EQUITY	314,023	340,121
	<hr/> <hr/>	<hr/> <hr/>

1 CORPORATE AND GROUP 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 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 2, 28 Jardine’s Crescent, Causeway Bay, Hong Kong.

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

- manufacturing 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, household heating and electricity supply 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**”).

The Interim Financial Information has not been audited but has been reviewed by the audit committee of the Company.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021.

2.3 CHANGES IN ACCOUNTING POLICIES

In the Period, the Group has applied, for the first time, the following new or amended HKFRSs that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
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

The application of the new or amended HKFRSs in the current interim period has had no material impact on the amounts reported in these condensed consolidated financial statements and/or disclosures set in these condensed consolidated financial statements.

3 ESTIMATES

The preparation of the Interim Financial Information requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

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, household heating and electricity supply 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	
	Six months ended 30 June 2022 RMB'000 (Unaudited)		Six months ended 30 June 2021 RMB'000 (Unaudited)		Six months ended 30 June 2022 RMB'000 (Unaudited)		Six months ended 30 June 2021 RMB'000 (Unaudited)	
Segment revenue (note 5)								
Revenue from external customers	<u>54,001</u>	78,900	<u>107,278</u>	76,639	<u>30,929</u>	98,429	<u>192,208</u>	253,968
Segments results	<u>(46,818)</u>	(8,747)	<u>32,212</u>	33,528	<u>6,900</u>	6,282	<u>(7,706)</u>	31,063
Reconciliation:								
Bank interest income							465	341
Corporate and other unallocated expenses							(3,281)	(5,827)
Finance costs							<u>(1,524)</u>	<u>(1,856)</u>
(Loss)/profit before income tax							<u><u>(12,046)</u></u>	<u><u>23,721</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	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment								
– Operating segments	1,243	1,183	9,203	–	–	–	10,446	1,183
– Amount unallocated							20	21
							<u>10,466</u>	<u>1,204</u>
Depreciation of investment property	131	132	–	–	–	–	131	132
Depreciation of right-of-use assets								
– Operating segments	163	163	637	5,915	–	–	800	6,078
– Amount unallocated							462	510
							<u>1,262</u>	<u>6,588</u>
Amortisation of computer software	2	10	–	–	–	–	2	10
Impairment of inventory	31,175	–	–	–	–	–	31,175	–
Reversal of impairment of trade receivables	–	–	–	(878)	–	–	–	(878)
Capital expenditure*	<u>6</u>	<u>6</u>	<u>2,188</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,194</u>	<u>6</u>

* Capital expenditure consists of prepayment for and additions to property, plant and equipment.

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 six months ended 30 June 2022, two (2021: one) external customers individually contributed 10% or more to the Group's total revenue for the Period and the revenue generated from sales to each of these customers is set out below:

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cigarette packaging products segment:		
Customer A	25,448	27,542
New Energy operation		
Customer B	<u>85,181</u>	<u>N/A</u>

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

5 REVENUE

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

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of goods	181,840	230,612
Processing service income	<u>10,368</u>	<u>23,356</u>
	<u>192,208</u>	<u>253,968</u>

Notes:

(a) **Disaggregated revenue information**

Period ended 30 June 2022

Segments	Cigarette packaging products <i>RMB'000</i> (Unaudited)	New energy operation <i>RMB'000</i> (Unaudited)	Household paper products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services				
Sale of cigarette packaging products:				
– Transfer metallised paper	40,411	–	–	40,411
– Laminated metallised paper	3,222	–	–	3,222
	<u>43,633</u>	–	–	<u>43,633</u>
Processing service income	10,368	–	–	10,368
Sale of steam for industrial use, household heating and electricity supply	–	107,278	–	107,278
Sale of household paper products	–	–	30,929	30,929
	<u>54,001</u>	<u>107,278</u>	<u>30,929</u>	<u>192,208</u>
Timing of revenue recognition				
Goods transferred at a point in time	43,633	–	30,929	74,562
Goods transferred over time	–	107,278	–	107,278
Services transferred over time	10,368	–	–	10,368
	<u>54,001</u>	<u>107,278</u>	<u>30,929</u>	<u>192,208</u>
Total revenue from contracts with customers	<u>54,001</u>	<u>107,278</u>	<u>30,929</u>	<u>192,208</u>

Geographical market

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

Period ended 30 June 2021

Segments	Cigarette packaging products <i>RMB'000</i> (Unaudited)	New energy operation <i>RMB'000</i> (Unaudited)	Household paper products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services				
Sale of cigarette packaging products:				
– Transfer metallised paper	51,839	–	–	51,839
– Laminated metallised paper	3,705	–	–	3,705
	55,544	–	–	55,544
Processing service income	23,356	–	–	23,356
Sale of steam for industrial use, household heating and electricity supply				
	–	76,639	–	76,639
Sale of household paper products	–	–	98,429	98,429
	<u>78,900</u>	<u>76,639</u>	<u>98,429</u>	<u>253,968</u>
Timing of revenue recognition				
Goods transferred at a point in time				
	55,544	–	98,429	153,973
Goods transferred over time				
	–	76,639	–	76,639
Services transferred over time				
	23,356	–	–	23,356
	<u>78,900</u>	<u>76,639</u>	<u>98,429</u>	<u>253,968</u>

Geographical market

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

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the cigarette packaging products, steam for industrial use, household heating and electricity supply and household paper products and payment is generally due within 30 to 150 days from delivery. For new customers, payment in advance is normally required. Some household paper products sales contracts provide customers with volume rebates which give rise to variable consideration subject to constraint.

Processing services

Revenue from provision of processing services is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

6 OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Bank interest income	465	341
Gain on disposal of property, plant and equipment	2	–
Rental income	934	467
Subsidy income*	100	73
Government grants#	110	3,664
Reversal of impairment of trade receivables	–	878
Net foreign exchange gains	–	171
Others	17	27
	<u>1,628</u>	<u>5,621</u>

* The balance as at 30 June 2022 included subsidies of RMB24,643,000 (31 December 2021: RMB24,743,000) received from various government authorities in Mainland China for the purchase of plant and machinery to support the development of the cigarette packaging products business of the Group, and the purchase of land to support the development of the new energy operation business of the Group. The subsidies are interest-free and will be amortised over the expected useful lives of the relevant assets.

The Group obtained government grants from the PRC government supporting the Group's research and development of new anti-counterfeiting paper and stabilising. There were no conditions to be fulfilled or contingencies related to these grants.

7 (LOSS)/PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	133,647	193,104
Depreciation of items of property, plant and equipment	10,466	1,204
Less: Amount included in cost of inventories sold	(9,470)	(584)
	<u>996</u>	<u>620</u>
Depreciation of right-of-use assets	1,262	6,588
Less: Amount included in cost of inventories sold	–	(5,949)
	<u>1,262</u>	<u>639</u>
Depreciation of investment property	131	132
Amortisation of computer software	2	10
Lease payments not included in the measurement of lease liabilities	64	31
Reversal of impairment of trade receivables	–	(878)
Loss on disposal of property, plant and equipment	–	1
Employee benefit expense (including directors' remuneration):		
Salaries, bonus and benefits in kind	8,453	11,752
Defined contribution scheme contributions	638	1,066
	<u>9,091</u>	<u>12,818</u>
Less: Amount included in cost of inventories sold	(3,687)	(5,590)
	<u>5,404</u>	<u>7,228</u>
Foreign exchange differences, net	–	(171)
Research and development costs	1,196	2,451
	<u><u>1,196</u></u>	<u><u>2,451</u></u>

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	<u>11,099</u>	<u>9,615</u>
Income tax expense	<u><u>11,099</u></u>	<u><u>9,615</u></u>

No provision for Hong Kong profits tax has been made for the Period as the Group did not generate any assessable profits arising in Hong Kong during the Period (2021: nil).

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

9 (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss (2021: earnings) per share amount is based on the unaudited loss for the Period attributable to shareholders of the Company of RMB21,457,000 (2021: profit of RMB13,349,000), and the weighted average number of ordinary shares of 546,093,000 (2021: 500,000,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 for a dilution as the Group had no potentially dilutive ordinary shares in issue during each of these periods.

10 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

11 TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	58,550	106,496
Less: Impairment	<u>(14,267)</u>	<u>(14,267)</u>
Trade receivables – net	44,283	92,229
Bills receivables	<u>690</u>	<u>1,150</u>
	<u>44,973</u>	<u>93,379</u>

Note: The Group's trading terms with its customers for the sale of goods and provision of processing services are mainly on credit. For new customers, payment in advance is normally required. The credit period is generally 30 to 150 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise the credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 month	23,144	54,404
1 to 2 months	2	19,594
2 to 3 months	8,161	6,394
3 to 4 months	7,116	5,740
Over 4 months	6,550	7,247
	<u>44,973</u>	<u>93,379</u>

12 TRADE AND BILLS PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Trade payables	70,969	73,747
Bills payables (<i>note (b)</i>)	26,735	52,144
	<u>97,704</u>	<u>125,891</u>

Notes:

- (a) The trade payables are non-interest bearing and are normally settled on 30-day terms.

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

	As at 30 June 2022 <i>RMB'000</i> (Unaudited)	As at 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 month	47,902	82,577
1 to 2 months	740	14,078
2 to 3 months	4,354	5,628
Over 3 months	44,708	23,608
	<u>97,704</u>	<u>125,891</u>

- (b) The bills payables are secured by a bank deposit of RMB13,635,000 (31 December 2021: RMB26,641,000) pledged to a bank).

MANAGEMENT DISCUSSION AND ANALYSIS

Champion Alliance International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the production and sale of metallised packaging paper for cigarette package manufacturers. The Company 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).

MARKET REVIEW

In 2022, 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. Despite the country’s economy showing resilience, the second quarter of the economy only achieved a slight advance of 0.4% year-on-year, while the first quarter has witnessed a 4.8% year-on-year growth. PRC government has continued to implement a series of measures, ranging from cutting taxes for businesses, to injecting more money into different infrastructure projects.

BUSINESS REVIEW

i. Cigarette Packaging Products

Hubei Province was one of the hardest hit regions when the COVID-19 first broke out in the country. Fortunately, the provincial economy has been gradually gaining momentum in GDP growth and the consumer market has also witnessed a steady recover throughout the year.

The government of the PRC has continued to extend its efforts in the structural reform of the tobacco market, which included cigarette control, promotion of mental and physical health, and cancer prevention. During the reporting period, revenue of this segment was approximately RMB54.0 million.

ii. Steam for Industrial Use, Household Heating and Electricity Supply

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.

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 RMB107.3 million, representing an increase of approximately 40% as compared to the corresponding period in 2021.

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 RMB30.9 million.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2022, the total revenue was approximately RMB192.2 million, representing a decrease of approximately RMB61.8 million over the total revenue of approximately RMB254.0 million for the corresponding period in 2021. 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 six months ended 30 June 2022 and 2021:

	For the six months		Change
	ended 30 June		
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Cigarette packaging products			
– transfer metallised paper	40,411	51,839	(22.0%)
– laminated metallised paper	3,222	3,705	(13.0%)
– processing service income	10,368	23,356	(55.6%)
Steam for industrial use, household heating and electricity supply	107,278	76,639	40.0%
Household paper products	30,929	98,429	(68.6%)

i. Cigarette Packaging Business

For the six months ended 30 June 2022, revenue of the cigarette packaging business was approximately RMB54.0 million (six months ended 30 June 2021: RMB78.9 million), representing a decrease of approximately 31.6% as compared with the corresponding period in 2021.

ii. Steam for Industrial Use, Household Heating and Electricity Supply Business

For the six months ended 30 June 2022, revenue of steam for industrial use, household heating and electricity supply business was approximately RMB107.3 million (six months ended 30 June 2021: RMB76.6 million), representing an increase of approximately 40% as compared with the corresponding period in 2021.

iii. Household Paper Products Business

For the six months ended 30 June 2022, revenue of household paper product business was approximately RMB30.9 million (six months ended 30 June 2021: RMB98.4 million), representing a decrease of approximately 68.6% as compared with the corresponding period in 2021.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased from approximately RMB54.3 million for the six months ended 30 June 2021 to approximately RMB45.4 million for the six months ended 30 June 2022. Gross profit margin increased from approximately 21.4% for the six months ended 30 June 2021 to approximately 23.6% for the six months ended 30 June 2022.

Other Income and Gains

For the six months ended 30 June 2022, the Group's other income and gains mainly consisted of rental income, bank interest income, subsidy income, government grants and other income. The other income and gains decreased by 71% to approximately RMB1.6 million for the six months ended 30 June 2022, from approximately RMB5.6 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in 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 29.6% from approximately RMB18.6 million for the six months ended 30 June 2021 to approximately RMB13.1 million for the six months ended 30 June 2022. The decrease in selling and distribution expenses was mainly due to the decrease in revenue.

Administrative Expenses

For the six months ended 30 June 2022, administrative expenses mainly consisted of (i) staff costs, (ii) depreciation and amortisation, (iii) entertainment expenses and (iv) other expenses. Administrative expenses decreased from approximately RMB13.2 million for the six months ended 30 June 2021 to approximately RMB12.1 million for the six months ended 30 June 2022. 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 six months ended 30 June 2022, the Group's other expenses consisted of research and development expenses. The other expenses were approximately RMB1.2 million for the six months ended 30 June 2022 as compared to approximately RMB2.6 million for the six months ended 30 June 2021. The decrease was mainly due to the decrease in research and development expenses for the reporting period.

Finance Costs

Finance costs consisted of interest expenses from bank and other borrowings and interest on lease liabilities. The finance expenses were approximately RMB1.5 million for the reporting period (for the six months ended 30 June 2021: RMB1.9 million). The decrease was mainly attributable to the decrease in interest expenses from a loan offered by an independent third party.

Income Tax Expense

The Group's income tax expense was approximately RMB11.1 million for the six months ended 30 June 2022. The Group's income tax expense was approximately RMB9.6 million in the corresponding period of 2021.

Loss/Profit Attributable to Owners of the Company

For the six months ended 30 June 2022, the Group's loss attributable to owners of the Company was approximately RMB21.5 million. Profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB13.3 million. The loss was mainly attributable to an impairment of inventory of approximately RMB31.2 million provided during the period.

LIQUIDITY AND FINANCIAL RESOURCES

Net Current Assets

The Group recorded net current assets of approximately RMB86.5 million as at 30 June 2022, while the net current assets as at 31 December 2021 was approximately RMB76.5 million.

Borrowings and Gearing Ratio

The total borrowings of the Group as at 30 June 2022 were approximately RMB41.6 million (as at 31 December 2021: RMB41.1 million). The Group's gearing ratio decreased from approximately 27.9% as at 31 December 2021 to approximately 23.7% as at 30 June 2022. The decrease in the gearing ratio was primarily a result of the decrease in amount due to a former shareholder of a subsidiary. 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 director of a subsidiary, amount due to a director of a subsidiary and 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 six months ended 30 June 2022, the Group's total capital expenditure amounted to approximately RMB2.2 million, which was mainly used in machinery and construction in progress (six months ended 30 June 2021: RMB6,000).

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 six months ended 30 June 2022, there had been no change in the number of issued shares in the Company.

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	
	30 June 2022 RMB'000	31 December 2021 RMB'000
Property, plant and equipment	12,249	12,809
Investment property	3,955	4,086
Right-of-use assets	10,225	10,388
Restricted cash	13,635	26,641
Total	<u>40,064</u>	<u>53,924</u>

In addition to the above, as at 30 June 2022, the Group has pledged the equity interest in a wholly-owned subsidiary to secured the other borrowing of the Group.

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 six months ended 30 June 2022 (six months ended 30 June 2021: nil).

Contingent Liabilities

As at 30 June 2022, the Group did not have any significant contingent liabilities (as at 31 December 2021: 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 six months ended 30 June 2022 (six months ended 30 June 2021: nil).

Human Resources and Remuneration

As at 30 June 2022, the Group employed 280 employees (as at 31 December 2021: 280) with total staff costs of approximately RMB9.1 million incurred for the same period (for the six months ended 30 June 2021: approximately RMB12.8 million). The decrease in staff costs of the Group was mainly due to the decrease in direct labour costs. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Interim Dividend

The Board proposed not to declare any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

Use of Net Proceeds from the Listing

The Company listed its shares on the Stock Exchange on 25 November 2016. Net proceeds from 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 30 June 2022, 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 RMB'000	Approximate % of total actual net proceeds	Actual amount utilised from the Listing Date up to 30 June 2022 RMB'000	Balance as at 30 June 2022 RMB'000	Expected timeline for the remaining use of net proceeds (Note)	
					For the year ending 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Use of net proceeds from the Listing						
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 30 June 2022, unutilised proceeds amounted to approximately HK\$28.1 million (equivalent to approximately RMB24 million), which will be invested in production plant, equipment upgrade and technical development. The unutilised portion of the net proceeds have 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 30 June 2022.

Capital Commitments

	As at	
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Commitments for the acquisition of:		
– Property, plant and equipment	<u>3,926</u>	<u>5,160</u>

FUTURE OUTLOOK

Despite that the domestic consumption growth fell behind investment and exports, total retail sales of consumer goods has been gaining momentum, showing a sign that the pandemic is tapering off. The Group expects that the overall operating environment will continue to improve in 2022 and 2023.

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

SHARE OPTION SCHEME

A share option scheme (the “**Scheme**”) was conditionally adopted by the written resolutions of the Company’s shareholders passed on 3 November 2016. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The principal terms of the Scheme are summarised in the section headed “D. Share Option Scheme” in Appendix V of the Prospectus. As of the date of this announcement, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

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 as set out in Appendix 14 to the Listing Rules throughout the reporting period.

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/she has complied in full with all the required standards in the Model Code throughout the reporting period.

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 reporting period.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 5 August 2022, the Company and an investment holding company wholly-owned by Mr. Bao Haiping (鮑海平) (“**Purchaser**”) entered into an agreement, pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the sale share, representing the entire issued share capital of Lucky Glorious Limited (瑞顯有限公司) (“**Target Company**”) at a Consideration of HK\$49,000,000 (“**Disposal**”). Upon completion, the Target Company, Mengke (Hong Kong) Company Limited (盟科(香港)有限公司) and Hubei Mengke Paper Company Limited (湖北盟科紙業有限公司) (collectively as the “**Target Group**”) will cease to be subsidiaries of the Company and the financial information of the Target Group will no longer be consolidated into the Group’s consolidated financial statements. Details of the Disposal are set out in the announcement of the Company dated 5 August 2022.

AUDIT COMMITTEE

The audit committee of the Company (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 unaudited condensed consolidated interim results (the “**Interim Results**”) have not been audited by the Company’s auditor but the Audit Committee has reviewed the Interim Results and is of the view that the preparation of the Interim Results complied with applicable accounting standards and requirements and has discussed the internal control and financial reporting process with the management of the Group.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company’s website at www.championshipintl.com and the Stock Exchange’s website at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2022 is expected to be despatched to the shareholders of the Company on or before Friday, 30 September 2022 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 reporting period.

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

Hong Kong, 31 August 2022

As at the date of this announcement, the Board comprises Mr. Chen Shuming, Mr. Chen Xiaolong, Mr. Hu Enfeng, 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.