Champion Alliance International Holdings Limited
冠均國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1629)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 increased by approximately 126.3% or RMB129.0 million to approximately RMB231.2 million.

- Gross profit for the six months ended 30 June 2019 increased by approximately 117.5% or RMB19.7 million to approximately RMB36.4 million.

- Profit attributable to equity holders of the Company for the six months ended 30 June 2019 increased by approximately 560.5% or approximately RMB6.0 million to approximately RMB7.0 million.

- Basic earnings per share of the Company for the six months ended 30 June 2019 was approximately RMB1.40 cents (six months ended 30 June 2018: approximately RMB0.21 cents).

- The board of directors of the Company resolved not to pay interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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 2019 (the "Period") together with the comparative results for the six months ended 30 June 2018 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**231,235**	102,189
Costs of sales	*6*	**(194,848)**	(85,460)
Gross profit		**36,387**	16,729
Other income and other losses — net	*5*	**906**	313
Distribution expenses	*6*	**(11,028)**	(5,648)
Administrative expenses	*6*	**(14,251)**	(10,083)
Operating profit		**12,014**	1,311
Finance income		**196**	259
Finance expenses		**(2,565)**	(324)
Finance expenses — net		**(2,369)**	(65)
Profit before income tax		**9,645**	1,246
Income tax expense	*7*	**(2,630)**	(184)
Profit for the period		**7,015**	1,062
Other comprehensive income		**–**	–
Total comprehensive income for the period		**7,015**	1,062
Attributable to:			
Equity holders of the Company		**7,015**	1,062
Earnings per share (expressed in RMB per share)			
— Basic and diluted	*8*	**1.40 cents**	0.21 cents

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
ASSETS			
Non-current assets			
Prepaid operating lease		**–**	11,767
Property, plant and equipment		**32,595**	33,921
Right-of-use assets		**11,737**	–
Intangible assets		**175**	63
Deferred income tax assets		**1,703**	1,703
		46,210	47,454
Current assets			
Inventories		**75,004**	73,892
Trade and other receivables and prepayments	*10*	**155,114**	122,533
Notes receivables	*10*	**1,578**	5,000
Restricted cash		**32,059**	38,120
Cash and cash equivalents		**38,929**	5,912
Other current assets		**–**	278
		302,684	245,735
Total assets		**348,894**	293,189
EQUITIES AND LIABILITIES			
Equity			
Share capital		**4,459**	4,459
Other reserves		**102,142**	101,892
Retained earnings		**13,214**	6,199
Total equity		**119,815**	112,550
Liabilities			
Non-current liabilities			
Deferred government grants		**1,017**	1,090
Current liabilities			
Borrowings		**15,000**	15,000
Trade and other payables	*11*	**147,747**	103,880
Lease liabilities		**165**	–
Notes payables	*11*	**62,059**	59,600
Amount due to ultimate holding company		**2,605**	1,069
Current income tax liabilities		**486**	–
		228,062	179,549
Total liabilities		**229,079**	180,639
Total equity and liabilities		**348,894**	293,189

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 January 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands.

The Company is an investment holding company and the Company and its subsidiaries (collectively referred to as the "Group") is principally engaged in the manufacturing and sale of cigarette packing materials in the People's Republic of China (the "PRC"). The ultimate parent company of the Company is Champion Alliance International Corporation, a company incorporated in British Virgin Islands (the "BVI") and controlled by Mr. Chen Shuming, the executive Director and controlling shareholder of the Company.

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

This interim condensed consolidated financial information of the Group for the six months ended 30 June 2019 ("Interim Financial Information") is presented in Renminbi ("RMB"), unless otherwise stated.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard 34 Interim financial reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period.

The accounting policies applied are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amended Hong Kong Financial Reporting Standards ("HKFRS") as set out below in Note 3.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.4%.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**265**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(12)**
Lease liability recognised as at 1 January 2019	**253**
Of which are:	
Current lease liabilities	**224**
Non-current lease liabilities	**29**
Lease liability recognised as at 1 January 2019	**253**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 *RMB'000*	As at 1 January 2019 *RMB'000*
Prepaid operating lease	**11,572**	11,767
Properties	**165**	253
Total right-of-use assets	**11,737**	12,020

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

Prepaid operating lease	—	decreased by RMB11,767,000
Right-of-use assets	—	increased by RMB12,020,000
Lease liabilities	—	increased by RMB253,000

The net impact on retained earnings on 1 January 2019 was nil.

Prepaid lease payment in respect of the land use right in the PRC is currently reclassified and recognised as right-of-use assets under HKFRS 16.

The adjustment of the opening balances (affected items only) below results from the initial application of the HKFRS 16 as at 1 January 2018. The prior-year amounts were not adjusted.

	As at 31 December 2018 *RMB'000*	**HKFRS 16 Reclassification** *RMB'000*	**HKFRS 16 Contract capitalisation** *RMB'000*	**As at 1 January 2019** *RMB'000*
Assets:				
Prepaid operating lease	11,767	(11,767)	–	–
Right-of-use assets	–	11,767	253	12,020
Liabilities:				
Lease liabilities	–	–	253	253

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

— the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

— reliance on previous assessments on whether leases are onerous;

— the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

— the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

— the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and *HK(IFRIC) 4 Determining whether an Arrangement contains a Lease*.

The Group leases the office. Rental contract is typically made for fixed period of 2 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, lease of property, plant and equipment was classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

— the amount of the initial measurement of lease liability;

— any lease payments made at or before the commencement date less any lease incentives received;

— any initial direct costs; and

— restoration costs.

4 REVENUE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of cigarette packaging products:		
— transfer metallised paper	**82,913**	89,611
— laminated metallised paper	**12,539**	12,573
	95,452	102,184
Processing service income	**–**	5
Steam for industrial use and heating and electricity	**49,482**	–
Paper production and products	**86,301**	–
	231,235	102,189

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A:	**Not applicable***	28,190
Customer B:	**Not applicable***	21,032
Customer C:	**Not applicable***	15,023
Customer D:	**Not applicable***	Not applicable*
Customer E:	**32,655**	Not applicable*

Note:* The revenue from the particular customers for the particular period is less than 10% of the Group's revenue for the particular period.

Segment information

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

The Group is principally engaged in the manufacturing and sale of packing materials for cigarette in the PRC. During the year, the Group also engaged in paper production and products (collectively referred to paper production and products) and steam for industrial use and heating and electricity (collectively referred to steam for industrial use and heating and electricity).

The Directors assess the performance of the operating segments based on a measure of segment results. This measurement includes the Group's share of results of associates and joint ventures on a proportionate consolidated basis. Unallocated corporate expenses, finance income and costs, taxation and other major items that are isolated and non-recurring in nature are not included in segment results.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures.

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

	Packing materials for cigarette Six months ended 30 June		**Paper production and products Six months ended 30 June**		**Steam for industrial use and heating and electricity Six months ended 30 June**		**Total Six months ended 30 June**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue								
Revenue from external customers	**95,452**	102,189	**86,301**	–	**49,482**	–	**231,235**	102,189
Segment (loss)/profit	**(7,356)**	3,331	**8,606**	–	**13,974**	–	**15,224**	3,331
Other income and other losses — net							**906**	313
Finance expenses — net							**(2,369)**	(66)
Unallocated group expenses							**(4,116)**	(2,332)
Profit before income tax							**9,645**	1,246

	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Segment assets	**262,781**	292,541	**11,164**	–	**32,648**	–	**306,593**	292,541
Reconciliation:								
Corporate and other unallocated assets							**42,301**	648
Total assets							**348,894**	293,189
Segment liabilties	**156,274**	179,150	**3,631**	–	**20,073**	–	**179,978**	179,150
Reconciliation:								
Corporate and other unallocated liabilities							**49,101**	1,489
Total liabilities							**229,079**	180,639

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

As at 30 June 2019, majority of the non-current assets were located in the PRC (31 December 2018: same).

5 OTHER INCOME AND OTHER LOSSES — NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income:		
Subsidy income	**73**	73
Rental income	**467**	467
Sales of raw materials and waste materials	**404**	–
	944	540
Other expenses:		
Cost of rental	**–**	(189)
Cost of raw materials and waste materials sold	**(38)**	–
	(38)	(189)
Other losses:		
Exchange losses	**–**	(38)
Other income and other losses — net	**906**	313

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Raw materials and consumables used	**188,416**	82,617
Changes in inventories of finished goods and work in progress	**(7,052)**	(1,095)
Staff costs (including directors' emoluments)	**11,744**	7,545
Transportation expenses	**7,867**	4,588
Utilities	**1,796**	1,672
Depreciation of property, plant and equipment	**1,666**	1,858
Depreciation of right-of-use assets	**333**	–
Entertainment expenses	**1,540**	880
Other taxes and surcharges	**495**	381
Amortisation of prepaid operating lease	**–**	111
Impairment provision for trade and other receivables	**175**	–
Other expenses	**13,147**	2,634
Total cost of sales, distribution expenses and administrative expenses	**220,127**	101,191

7 INCOME TAX EXPENSE

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

No provision for Hong Kong profit tax was provided as the Group did not have assessable profit in Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: nil). The profit of the group entity in Hong Kong is mainly derived from dividend income from its subsidiary, which is not subject to Hong Kong profits tax.

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the six months ended 30 June 2019 (six months ended 30 June 2018: same).

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

One of the Group's subsidiaries in the PRC, Hubei Mengke Paper Co. Ltd., was designated as High and New Technology Enterprise ("HNTE") in 2013 and re-designated as the same in 2019. The qualification is valid for three years ending 31 December 2021. Consequently, the subsidiary is entitled to preferential income tax rate of 15% for the six months ended 30 June 2019 (six months ended 30 June 2018: 15%).

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax:		
— PRC corporate income tax	**2,630**	384
Deferred income tax:		
— PRC corporate income tax	**–**	(200)
	2,630	184

8 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated on the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company *(RMB'000)*	**7,015**	1,062
Weighted average number of shares in issue *(thousand shares)*	**500,000**	500,000
Basic earnings per share *(RMB per share)*	**1.40 cents**	0.21 cents

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding during the six months ended 30 June 2019 (six months ended 30 June 2018: same).

9 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

10 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS AND NOTES RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables *(Note (a))*	**95,742**	121,641
Less: provision for impairment of trade receivables	**(1,790)**	(1,790)
Trade receivables — net	**93,952**	119,851
Deductible value-added-tax ("VAT") *(Note (b))*	**656**	–
Others	**60,506**	2,682
	155,114	122,533
Notes receivables *(Note (c))*	**1,578**	5,000

Notes:

(a) Ageing analysis of trade receivables based on invoice date as at 30 June 2019 is as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Less than 30 days	**57,853**	60,055
31 days to 60 days	**12,540**	22,809
61 days to 90 days	**–**	13,036
91 days to 120 days	**20,038**	14,999
121 days to 180 days	**–**	7,020
Over 180 days	**5,311**	3,722
	95,742	121,641

(b) It represents the unutilised input VAT that is deductible from future output VAT.

(c) Notes receivables of the Group as at 30 June 2019 mainly represent bank acceptance notes issued by banks with maturity period of 180 days (31 December 2018: same).

(d) As at 30 June 2019, trade receivables with carrying amount of RMB18,554,000 (31 December 2018: RMB24,940,000) were pledged as collaterals for the borrowings of the Group.

(e) The carrying amounts of trade and other receivables and notes receivables are all denominated in RMB.

11 TRADE AND OTHER PAYABLES AND NOTES PAYABLES

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Trade payables *(Note (a))*	**72,628**	91,872
Accrual for staff costs and allowances	**2,466**	1,994
Payables for acquisition of property, plant and equipment	**–**	56
Other tax payables	**139**	1,730
Other payables	**72,514**	8,228
	147,747	103,880
Notes payables — bank acceptance notes *(Note (b))*	**62,059**	59,600

Notes:

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

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Less than 30 days	**21,458**	55,716
31 to 60 days	**15,633**	12,853
61 to 90 days	**8,343**	–
91 to 180 days	**23,088**	16,821
Over 180 days	**4,106**	6,482
	72,628	91,872

(b) As at 30 June 2019, the ageing of all notes payables were within 6 months. The notes payables were secured by prepaid operating lease, property, plant and equipment and restricted cash of the Group as at 30 June 2019 (31 December 2018: same).

(c) The fair value of trade and other payables and notes payables approximate their carrying amounts as at 30 June 2019 due to their short-term maturities (31 December 2018: same).

MANAGEMENT DISCUSSION AND ANALYSIS

Champion Alliance International Holdings Limited (the "Company" or "Champ Alli Intl") and its subsidiaries (collectively 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 lines of products, being transfer metallised paper and laminated metallised paper. In 2019, the Group has proactively diversified business with household paper products, new energy operation (steam for industrial use, household heating, and electricity supply) as the core businesses. The Group will hence continue to stride with its three core businesses.

MARKET REVIEW

Under the policy of "Healthy China 2030", the Chinese government intends to reduce the smoking population from the current 27% to 20% by 2030 (below 300 million citizens). Therefore, the cigarette packaging business will face greater challenge as the market anticipates tightened control over the tobacco industry.

BUSINESS REVIEW

Sales and Marketing

In the first half of 2019, the Group's sales revenue reduced by approximately 6.6% as a result of the decrease in demand of cigarette packaging paper which was induced by the decrease in demand of cigarette, due to the overall tightened government control policy over the tobacco industry.

During the period under review, we continued to expand into new markets in China. Among all the projects that were under negotiation in 2018, 4 contracts were concluded, another 2 projects were under implementation stage. Our new accounts are mainly scattered over Anhui and Jiangsu areas. Besides negotiation, business might also proceed through non-tender bidding co-operation. As of the date of this announcement, the Group hired a total of 22 sales representatives to formulate marketing strategies, devise marketing plans, manage sales business, organise cargo transportation and develop customer service models, in order to boost our sales.

Production Capacity

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

The below table sets forth the production capacity, actual production volume and utilisation rates of the production base in Yichang, Hubei Province for the six months ended 30 June 2019 and their comparison with the corresponding period in 2018.

	Six months ended 30 June	
	2019	2018
Production capacity *(thousand metres)*	**102,400**	102,400
Actual production volume *(thousand metres)*	**40,594**	48,794
Utilisation rate	**39.6%**	47.7%

The Group has employed part of the net proceeds raised from the listing (the "Listing") of the shares of the Company (the "Shares") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 November 2016 (the "Listing Date") to upgrade the production facilities and expand production capacity. The new plants and buildings are expected to be in use within the year. Details on the use of net proceeds from the Listing will be laid out below in the section headed "Use of Net Proceeds from the Listing" in this announcement.

Quality Control

For the six months ended 30 June 2019, the Company obtained the certification and passed the third-party audit of environmental and occupational health safety management system in accordance with ISO14001:2015 and GB/T28001-2011.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2019, the total revenue was approximately RMB231.2 million. Compared to the total revenue of approximately RMB102.2 million for the corresponding period in 2018, there was a stark increase of approximately RMB129.0 million.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June		
	2019	2018	Change
	RMB'000	*RMB'000*	%
	(Unaudited)	(Unaudited)	
Cigarette packaging product			
— transfer metallised paper	**82,913**	89,611	(7.5%)
— laminated metallised paper	**12,539**	12,573	(0.3%)
Processing service income	**–**	5	(100%)
Other businesses	**135,783**	–	N/A

Cigarette Packaging Business

For the six months ended 30 June 2019, the revenue of the cigarette packaging business was approximately RMB95.5 million (six months ended 30 June 2018: RMB102.2 million), representing a decrease of approximately 6.6% as compared with the corresponding period in 2018. The reduce in revenue was due to the government's strengthened control over the industry as well as the corresponding quantity of supply of cigarette, hence the reduction of market demand in cigarette packaging.

Other Businesses

For the six months ended 30 June 2019, the revenue of other businesses was approximately RMB135.8 million. Products from other businesses consists of household paper products, new energy operation (steam for industrial use, household heating, and electricity supply). The increase in revenue was due to the Group's effort to diversify and develop new businesses.

Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately RMB16.7 million for the six months ended 30 June 2018 to approximately RMB36.4 million for the six months ended 30 June 2019. The increase was mainly due to the increase in revenue. The Group's gross profit margin decreased from approximately 16.4% for the six months ended 30 June 2018 to approximately 15.7% for the six months ended 30 June 2019. The decrease in gross profit margin was the result of (i) decrease in the price of some of the products; and (ii) structural changes of the products.

Other Income and Other Losses — Net

For the six months ended 30 June 2019, the Group's other income consisted of rental income, sales of raw materials and subsidy income. Other expenses and other losses included cost of rental and cost of raw and waste materials. The net of other income and other losses increased from approximately RMB313,000 for the six months ended 30 June 2018 to approximately RMB906,000 for the six months ended 30 June 2019, mainly due to sales of raw materials.

Distribution Expenses

During the period under review, 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 distribution expenses increased by approximately 95.3% from approximately RMB5.6 million for the six months ended 30 June 2018 to approximately RMB11.0 million for the six months ended 30 June 2019. The increase in distribution expenses of the Group was mainly due to the investment in new businesses.

Administrative Expenses

For the six months ended 30 June 2019, administrative expenses mainly consisted of (i) staff costs; (ii) research and development expenses; (iii) depreciation and amortisation; (iv) entertainment expenses; (v) other taxes and surcharges; and (vi) other expenses. Administrative expenses increased from approximately RMB10.1 million for the six months ended 30 June 2018 to approximately RMB14.3 million for the six months ended 30 June 2019. The increase in administrative expenses of the Group was mainly due to the investment in new businesses.

Finance Expenses — Net

During the review period, net finance expenses represented the net amount of finance income and finance expenses. Finance income consisted of interest income from bank deposits and exchange gains. Finance expenses consisted of interest expenses from bank borrowings and exchange losses. The net finance expenses were approximately RMB2.4 million.

Income Tax Expense

The Group's income tax expense increased by approximately 1,329.3% from approximately RMB184,000 for the six months ended 30 June 2018 to approximately RMB2.6 million for the six months ended 30 June 2019. The increase was mainly due to the investment in new businesses.

Profit Attributable to Equity Holders of the Company

For the six months ended 30 June 2019, the Group's profit attributable to equity holders of the Company was approximately RMB7.0 million (six months ended 30 June 2018: approximately RMB1.1 million). The profit attributable to equity holders of the Company for the period under review was primarily due to the investment in new businesses.

LIQUIDITY AND FINANCIAL RESOURCES

Net Current Assets

The Group recorded net current assets of approximately RMB74.6 million as at 30 June 2019, while the net current assets as at 30 June 2018 was approximately RMB67.9 million.

Borrowings and Gearing Ratio

The total borrowings of the Group as at 30 June 2019 were approximately RMB15.0 million (as at 30 June 2018: RMB15.0 million). The Group's gearing ratio decreased from approximately 12.7% as at 30 June 2018 to approximately 12.5% as at 30 June 2019. The decrease of gearing ratio was mainly due to an increase in profit as at 30 June 2019. Gearing ratio was calculated by dividing total debt (which consisted of borrowings and amounts due to a related party) by total equity as at the dates indicated and multiplied by 100%.

Capital Expenditure

During the six months ended 30 June 2019, the Group's total capital expenditure amounted to approximately RMB405,000 (six months ended 30 June 2018: approximately RMB3.3 million), which was mainly used in assets under construction.

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 2019, there has been no change in the number of issued share in the Company.

CHARGE ON ASSETS

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

	As at 30 June 2019 *RMB'000*	As at 30 June 2018 *RMB'000*
Prepaid operating lease	**11,737**	11,937
Property, plant and equipment	**24,127**	25,136
Trade receivables	**18,554**	14,387
Restricted cash	**32,059**	31,388
Total	**86,477**	82,848

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this announcement, 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 2019 (six months ended 30 June 2018: nil).

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (as at 30 June 2018: nil).

FOREIGN EXCHANGE RISK

The Group's transactions were mainly conducted in Renminbi ("RMB"), the functional currency of the Group, and the major receivables and payables were denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash, loans to a director of the Company 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 2019 (six months ended 30 June 2018: nil).

HUMAN RESOURCES AND REMUNERATION

As at 30 June 2019, the Group employed 262 employees (as at 30 June 2018: 150) with total staff costs of approximately RMB11.7 million incurred for the six months ended 30 June 2019 (six months ended 30 June 2018: approximately RMB7.5 million). The increase in staff costs of the Group was mainly due to the increase in number of employees and the increase in salary of the Directors. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

USE OF NET PROCEEDS FROM THE LISTING

The Shares were listed on the Main Board of the Stock Exchange on 25 November 2016 with actual net proceeds from the Listing of approximately HK$42.2 million (equivalent to approximately RMB37.6 million) (after deducting underwriting commissions and related expenses). Part of the proceeds has been used in plant electricity distribution work, purchase of production equipment, improvement work of air-conditioning system and investment in operation, market expansion and technical development as contemplated under the prospectus of the Company dated 15 November 2016 (the "Prospectus"). Actual amount of the net proceeds utilised up to 30 June 2019 amounted to approximately RMB24.5 million. As of the date of this announcement, unutilised net proceeds amounted to approximately RMB13.1 million, which is intended to be invested primarily in production plant, equipment upgrade and technique development. The unutilised net proceeds will be applied in the same manner set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the business plan disclosed in the Prospectus or in this announcement, there is no other plan for material investments or capital assets as at 30 June 2019.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group did not have any capital commitments (as at 30 June 2018: nil).

FUTURE OUTLOOK

Looking forward, the tobacco market anticipates tightened government control policy over the industry in the coming years and consequently the demand for tobacco related products is expected to drop. Nonetheless, the Group will continue to consolidate our market position through technique innovation and greater marketing and promotion efforts. We will focus on the market development in Anhui Province and Jiangsu Province in China. Overall, the Group is still optimistic about the outlook of the tobacco and its related markets in China.

With the arrival of the peak season in the second half of 2019, the demand for tobacco is expected to increase. Riding on this opportunity, the Group will invest approximately RMB1 million for marketing and brand promotion purpose. Our dedication to spatial marketing remains and we will continue to employ our unique management style to develop new markets to acquire market shares.

While solidifying our cigarette packaging business, we will continue to seek new opportunities in the household paper products as well as new energy operation business; in the light of the immense potential for further growth in the domestic market, to generate growth potential through our professional management team in steam for industrial use, household heating, and electricity supply. We will continue to strive for better results and thus to maximise returns to shareholders and society through our peerless dedication to optimise our 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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the 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 has complied in full with all the required standards in the Model Code throughout the 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 Period.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event after the Period and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of three independent non-executive Directors, namely Mr. Chan Yee Ping Michael (as chairman), Mr. Chen Hua and Mr. Zhao Zhendong. The 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 2019 Interim Report is expected to be despatched to the shareholders of the Company on or before Friday, 27 September 2019 and will be available on the above websites.

APPRECIATION

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

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

Hong Kong, 29 August 2019

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