**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 2020

**HIGHLIGHTS**

- Revenue for the six months ended 30 June 2020 increased by approximately 24.9% or RMB57.7 million to approximately RMB288.9 million.
- Gross profit for the six months ended 30 June 2020 increased by approximately 26.2% or RMB9.5 million to approximately RMB45.9 million.
- Profit attributable to shareholders of the Company for the six months ended 30 June 2020 decreased by approximately 53.9% or approximately RMB3.8 million to approximately RMB3.2 million.
- Basic earnings per share of the Company for the six months ended 30 June 2020 was approximately RMB0.65 cents (six months ended 30 June 2019: approximately RMB1.40 cents).
- The board of directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020 (the "Period") together with the comparative results for the six months ended 30 June 2019 as follows:

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

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | *4* | **288,926** | 231,235 |
| Cost of sales | | **(242,990)** | (194,848) |
| **Gross profit** | | **45,936** | 36,387 |
| Other income and gains, net | *5* | **792** | 1,140 |
| Selling and distribution expenses | | **(20,874)** | (11,028) |
| Administrative expenses | | **(9,532)** | (12,365) |
| Other expenses, net | | **(3,329)** | (4,150) |
| Finance costs | | **(4,166)** | (339) |
| **PROFIT BEFORE TAX** | *6* | **8,827** | 9,645 |
| Income tax expense | *7* | **(5,596)** | (2,630) |
| **PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | | **3,231** | 7,015 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of the Company's financial statements into its presentation currency | | **(385)** | – |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD** | | **(385)** | – |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | | **2,846** | 7,015 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | | | |
| Basic and diluted *(RMB cents per share)* | *8* | **0.65** | 1.40 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **As at 30 June 2020** ***RMB'000*** **(Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **25,295** | 26,651 |
| Investment property | | **4,482** | 4,614 |
| Right-of-use assets | | **16,615** | 21,821 |
| Computer software | | **76** | 93 |
| Total non-current assets | | **46,468** | 53,179 |
| **CURRENT ASSETS** | | | |
| Inventories | | **68,667** | 108,182 |
| Trade and bills receivables | *10* | **148,659** | 141,347 |
| Prepayments, deposits and other receivables | | **54,726** | 17,356 |
| Income tax recoverable | | **278** | 415 |
| Restricted cash | | **9,805** | 17,475 |
| Cash and cash equivalents | | **36,090** | 35,694 |
| Total current assets | | **318,225** | 320,469 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *11* | **160,653** | 143,720 |
| Other payables and accruals | | **19,761** | 45,845 |
| Income tax payable | | **1,949** | 319 |
| Bank and other borrowings | | **51,524** | 50,748 |
| Lease liabilities | | **5,651** | 10,784 |
| Total current liabilities | | **239,538** | 251,416 |
| **NET CURRENT ASSETS** | | **78,687** | 69,053 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **125,155** | 122,232 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred government grants | | **871** | 944 |
| Lease liabilities | | **150** | – |
| **Total non-current liabilities** | | **1,021** | 944 |
| **NET ASSETS** | | **124,134** | 121,288 |
| **EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY** | | | |
| Issued capital | | **4,459** | 4,459 |
| Reserves | | **119,675** | 116,829 |
| **TOTAL EQUITY** | | **124,134** | 121,288 |

## 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 Stock Exchange of Hong Kong Limited. The registered office of the Company is located at 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 China ("Mainland China") of the People's Republic of China (the "PRC");
- provision of steam for industrial use and 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").

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 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim condensed consolidated financial information is presented in 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 2019.

### 2.3 CHANGES IN ACCOUNTING POLICIES

In the Period, the Group has applied, for the first time, the following amendments to HKFRSs and HKASs that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendments to HKFRS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 16 | COVID-19 Related Rent Concessions |

Save as disclosed below regarding the impact of HKFRS 16 COVID-19 Related Rent Concessions, the adoption of other new or revised amendments does not have a material impact to the Group's results of operations or financial position.

The amendment to HKFRS 16 provides relief to lessees from applying lease modification accounting to coronavirus disease ("COVID-19") related rent concessions. The relief applies to lessees only. Lessors are required to apply the existing requirements of HKFRS 16. The amendment applies to annual reporting periods beginning on or after 1 June 2020 and early application is permitted.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

The Group has assessed all COVID-19 related rent concessions given by lessors and has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19 related rent concessions granted to the Group during the Period. The rent concessions received have been accounted for other income recognised in profit or loss in the Period. There is no impact on the opening balance of equity at 1 January 2020.

### 3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business unites 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 and 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 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 | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| **Segment revenue** *(note 4)* | | | | | | | | |
| Revenue from external customers | **95,812** | 95,452 | **65,796** | 49,482 | **127,318** | 86,301 | **288,926** | 231,235 |
| **Segments results** | **(3,106)** | (7,356) | **16,936** | 13,974 | **4,695** | 8,606 | **18,525** | 15,224 |
| *Reconciliation:* | | | | | | | | |
| Bank interest income | | | | | | | **164** | 196 |
| Corporate and other unallocated expenses | | | | | | | **(5,696)** | (5,436) |
| Finance costs | | | | | | | **(4,166)** | (339) |
| Profit before tax | | | | | | | **8,827** | 9,645 |

**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 | |
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | ***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 | **1,369** | 1,722 | **–** | – | **–** | – | **1,369** | 1,722 |
| — Amount unallocated | | | | | | | **7** | 9 |
| | | | | | | | **1,376** | 1,731 |
| Depreciation of investment property | **132** | – | **–** | – | **–** | – | **132** | – |
| Depreciation of right-of-use assets | | | | | | | | |
| — Operating segments | **163** | 195 | **5,377** | – | **–** | – | **5,540** | 195 |
| — Amount unallocated | | | | | | | **101** | 141 |
| | | | | | | | **5,641** | 336 |
| Amortisation of computer software | **17** | 26 | **–** | – | **–** | – | **17** | 26 |
| Impairment of trade receivable, net | **–** | 175 | **–** | – | **–** | – | **–** | 175 |
| Capital expenditure* | **9** | 18 | **–** | – | **–** | 41 | **9** | 59 |

* *Capital expenditure consists of additions to property, plant and equipment and computer software.*

**Geographical information**

No geographical information is presented as 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 2020, two (2019: 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 | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cigarette packaging products segment: | | |
| Customer A | **30,863** | N/A* |
| New energy operation segment: | | |
| Customer B | **N/A*** | 32,655 |
| Household paper products segment: | | |
| Customer C | **31,802** | N/A* |

* *The revenue from the particular customer for the particular period accounted for less than 10% of the Group's revenue for the particular period.*

## 4 REVENUE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Sales of cigarette packaging products: | | |
| — transfer metallised paper | **83,568** | 82,913 |
| — laminated metallised paper | **8,760** | 12,539 |
| | **92,328** | 95,452 |
| Processing service income | **3,484** | – |
| Sales of steam for industrial use and heating and electricity | **65,796** | 49,482 |
| Sales of household paper products | **127,318** | 86,301 |
| | **288,926** | 231,235 |

## 5 OTHER INCOME AND GAINS, NET

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Other income: | | |
| Bank interest income | **164** | 196 |
| Rental concession | **23** | – |
| Rental income | **335** | 467 |
| Subsidy income* | **73** | 73 |
| Others | **139** | 404 |
| | **734** | 1,140 |
| Gains, net | | |
| Foreign exchange differences, net | **58** | – |
| Other income and gains, net | **792** | 1,140 |

* *Subsidies are received by a subsidiary from various government authorities in Mainland China for the development of its business. There are no unfulfilled conditions or contingencies relating to these grants.*

## 6 PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Cost of inventories sold | **236,757** | 188,416 |
| Depreciation of items of property, plant and equipment | **1,376** | 1,731 |
| Less: Amount included in cost of inventories sold | **(822)** | (756) |
| | **554** | 975 |
| Depreciation of right-of-use assets | **5,641** | 336 |
| Less: Amount included in cost of inventories sold | **(5,411)** | – |
| | **230** | 336 |
| Depreciation of investment property | **132** | – |
| Amortisation of computer software | **17** | 26 |
| Lease payments not included in the measurement of lease liabilities | **30** | – |
| Employee benefit expense (including directors' remuneration): | | |
| Salaries, bonus and benefits in kind | **11,133** | 10,518 |
| Defined contribution scheme contributions | **629** | 976 |
| Share-based compensation expense | **–** | 250 |
| | **11,762** | 11,744 |
| Less: Amount included in cost of inventories sold | **(4,001)** | (4,080) |
| | **7,761** | 7,664 |
| Foreign exchange differences, net | **(58)** | – |
| Research and development costs | **3,329** | 2,491 |
| Impairment provision for trade receivables | **–** | 175 |

## 7 INCOME TAX EXPENSE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current — Mainland China | | |
| Charge for the Period | **5,596** | 2,630 |
| Total income tax expense | **5,596** | 2,630 |

*Notes:*

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 (2019: 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.

## 8 EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings (2019: earnings) per share amount is based on the unaudited profit for the Period attributable to shareholders of the Company of RMB3,231,000 (2019: RMB7,015,000), and the weighted average number of ordinary shares of 500,000,000 (2019: 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 2020 and 2019 for a dilution as the Group had no potentially dilutive or ordinary shares in issue during each of these periods.

## 9 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

## 10 TRADE AND BILLS RECEIVABLES

| | **As at 30 June 2020** *RMB'000* **(Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Trade receivables | **144,352** | 141,741 |
| Less: impairment | **(3,893)** | (3,893) |
| Trade receivables – net | **140,459** | 137,848 |
| Bills receivables | **8,200** | 3,499 |
| | **148,659** | 141,347 |

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 2020** *RMB'000* **(Unaudited)** | As at 31 December 2019 *RMB'000* (Audited) |
|---|---|---|
| Within 1 month | **82,000** | 93,488 |
| 1 to 2 months | **93** | 18,135 |
| 2 to 3 months | **37,772** | 11,359 |
| 3 to 4 months | **11,058** | 12,278 |
| Over 4 months | **17,736** | 6,087 |
| | **148,659** | 141,347 |

## 11 TRADE AND BILLS PAYABLES

| | **As at 30 June 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables *(note(a))* | **133,942** | 108,769 |
| Bills payables *(note(b))* | **26,711** | 34,951 |
| | **160,653** | 143,720 |

*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 2020** | As at 31 December 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 1 month | **93,813** | 79,723 |
| 1 to 2 months | **27,442** | 29,745 |
| 2 to 3 months | **13,208** | 11,840 |
| Over 3 months | **26,190** | 22,412 |
| | **160,653** | 143,720 |

(b) The bills payables are secured by a bank deposit of RMB9,805,000 (31 December 2019: RMB17,475,000) pledged to a bank.

## MANAGEMENT DISCUSSION AND ANALYSIS

Champion Alliance International Holdings Limited (the "Company" or "Champion Alliance International Holdings"; together with 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 line of products, being transfer metallised paper and laminated metallised paper. Since 2019, the Group 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

Since the beginning of 2020, the PRC's economy faced difficult challenges amidst the outbreak of the novel coronavirus (COVID-19) (the "COVID-19 Outbreak"). Various regions in the country that were hardest-hit by the pandemic imposed strict lockdown measures such as factory suspension, which resulted in a sharp decline in economic activities. In the first half of 2020, China's gross domestic product (GDP) decreased 1.6% year-on-year.

Hubei Mengke Paper Co., Ltd (湖北盟科紙業有限公司) ("Hubei Mengke"), which is a subsidiary of the Company engaging in the production and processing of cigarette packaging products, is situated in one of the worst-hit regions, namely Hubei Province, where the industry chain was shut down under the lockdown measures. In the first half of 2020, the GDP of Hubei Province decreased by 19.3% year-on-year, and the value-added output of industrial enterprises above the designated size in the province dropped 20.8% year-on-year, creating a considerable impact to the cigarette packaging business of the Group.

In addition, total retail sales of consumer goods in China decreased by 11.4% year-on-year, which demonstrated that domestic consumption will take some time to recover even though the pandemic has been contained. Faced with the impact on industries and consumption, household paper and new energy markets continue to be tested by volatility.

In the past few years, the PRC government extended its effort in the structural reform of tobacco market. In July 2019, the State Council issued the Opinions on Implementing Healthy China Action (《關於實施健康中國行動的意見》) which suggested special actions including cigarette control, promotion of mental health and cancer prevention. Relevant tariffs, price adjustments and other integrated measures will also be studied to improve the effectiveness of smoking control. Therefore, the cigarette packaging business is expected to face greater challenge as the market anticipates tightened control over the tobacco industry.

## BUSINESS REVIEW

Hampered by the COVID-19 Outbreak, the operation of Hubei Mengke was suspended after the statutory holidays for Chinese New Year as part of the Chinese government's countermeasures in containing the COVID-19 Outbreak. Despite the gradual resumption of operation since the end of March, the large-scale lockdown led to the suspension of production and sales activities. Certain orders which were scheduled to be delivered were delayed, impeding the Group's cigarette packaging business.

To proactively fight the pandemic, the Group has made its employees' health as first priority and has taken a number of preventive measures. The Group follows the government's measures and suggestions (including staying at home and social distancing) to reassign working hours of the Group's staff. During the pandemic, the Group strives to maintain a close communication with existing suppliers, customers and government authorities, while stepping up its effort in sales and marketing and production upon resumption of Hubei Mengke's operation.

### Sales and Marketing

In the first half of 2020, hindered by the above-mentioned issues, the Group's sales revenue of cigarette packaging products increased only by 0.4%.

During the six months ended 30 June 2020, the Group continued to expand its cigarette packaging business into new markets such as Anhui Province and engage new customers in China. At the end of the Period, there were 2 projects in tender and negotiation stages.

Among all the projects that were under negotiation at the end of 2019, 2 of them were concluded in the first half of 2020, while another 2 projects were under implementation stage. The Group's new projects are mainly scattered over Anhui and Jiangsu areas.

During the Period, the Group hired a total of 12 sales representatives to formulate marketing strategies, devise marketing plans, manage sales business, organise cargo transportation and develop customer service models, in order to boost sales.

### Production Capacity of Cigarette Packaging Business

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 2020 and their comparison with the corresponding period in 2019.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| Production capacity *(thousand metres)* | **102,400** | 102,400 |
| Actual production volume *(thousand metres)* | **66,541** | 48,794 |
| Utilisation rate | **65.0%** | 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. Details on the use of net proceeds from the Listing will be set 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 2020, the Group 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 2020, the total revenue was approximately RMB288.9 million, representing an increase of RMB57.7 million over the total revenue of approximately RMB231.2 million for the corresponding period in 2019. Such increase was because of the increase in the sales of steam for industrial use and heating and electricity and household paper products in Shandong Province.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2020 and 2019:

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| | **2020** | 2019 | Change |
| | ***RMB'000*** | *RMB'000* | *%* |
| | **(Unaudited)** | (Unaudited) | |
| Cigarette packaging products | | | |
| — transfer metallised paper | **83,568** | 82,913 | 0.8% |
| — laminated metallised paper | **8,760** | 12,539 | (30.1)% |
| Processing service income | **3,484** | – | N/A |
| Steam for industrial use and heating and electricity | **65,796** | 49,482 | 33.0% |
| Household paper products | **127,318** | 86,301 | 47.5% |

### *i. Cigarette Packaging Business*

For the six months ended 30 June 2020, revenue of the cigarette packaging business was approximately RMB95.8 million (six months ended 30 June 2019: RMB95.5 million), representing an increase of approximately 0.4% as compared with the same period of 2019. There was a slightly increase in revenue although there was suspension of the operation of Hubei Mengke after the statutory holidays for Chinese New Year until the end of March 2020 as part of the Chinese government's countermeasures in containing the COVID-19 Outbreak. The staff of the company had put great effort in maintaining the Group's performance.

### *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 RMB193.1 million in the first half of 2020 (six months ended 30 June 2019: RMB135.8 million).

## Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately RMB36.4 million for the six months ended 30 June 2019 to approximately RMB45.9 million for the six months ended 30 June 2020. The increase was mainly due to the increase in revenue. Gross profit margin slightly increased from approximately 15.7% for the six months ended 30 June 2019 to approximately 15.9% for the six months ended 30 June 2020.

## Other Income and Gains, Net

For the six months ended 30 June 2020, the Group's net other income and gains mainly consisted of rental income, bank interest income, subsidy income and other income. The net other income and gains decreased by 30.5% to approximately RMB792,000 for the six months ended 30 June 2020 from approximately RMB1.1 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in rental income and other income for the Period.

## Selling and Distribution Expenses

During the 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 increased by approximately 89.3% from approximately RMB11.0 million for the six months ended 30 June 2019 to approximately RMB20.9 million for the six months ended 30 June 2020. The increase in selling and distribution expenses was mainly due to the increase in revenue.

### Administrative Expenses

For the six months ended 30 June 2020, administrative expenses mainly consisted of (i) staff costs, (ii) depreciation and amortisation, (iii) entertainment expenses and (iv) other expenses. Administrative expenses decreased from approximately RMB12.4 million for the six months ended 30 June 2019 to approximately RMB9.5 million for the six months ended 30 June 2020. The decrease in administrative expenses of the Group was mainly due to the decrease of staff costs for the Period.

### Other Expenses, Net

For the six months ended 30 June 2020, the Group's other expenses consisted of research and development expenses, foreign exchange differences, loss of raw and waste materials sold and impairment of the Group's assets. The net other expenses were approximately RMB3.3 million for the six months ended 30 June 2020 as compared to approximately RMB4.2 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease in foreign exchange differences for the Period.

### Finance Costs

Finance costs consisted of interest expenses from bank and other borrowings and interest on lease liabilities. The finance expenses were approximately RMB4.2 million for the Period (for the six months ended 30 June 2019: RMB339,000). The increase was mainly attributable to the increase in interest expenses from a loan from an independent third party and interest on lease liabilities.

### Income Tax Expense

The Group's income tax expense was approximately RMB5.6 million for the six months ended 30 June 2020. The Group's income tax expense was approximately RMB2.6 million in the same period of 2019.

### Profit Attributable to Shareholders of the Company

For the six months ended 30 June 2020, the Group's profit attributable to shareholders of the Company was approximately RMB3.2 million. Profit attributable to shareholders of the Company for the six months ended 30 June 2019 was approximately RMB7.0 million. The decrease was mainly attributable to the increase in selling and distribution expenses in household paper products and the interest expenses from a loan from an independent third party during the Period.

## LIQUIDITY AND FINANCIAL RESOURCES

### Net Current Assets

The Group recorded net current assets of approximately RMB78.7 million as at 30 June 2020, while the net current assets as at 30 June 2019 was approximately RMB74.6 million.

**Borrowings and Gearing Ratio**

The total borrowings of the Group as at 30 June 2020 were approximately RMB51.5 million (as at 30 June 2019: RMB15.0 million). The Group's gearing ratio increased from approximately 12.7% as at 30 June 2019 to approximately 46.2% as at 30 June 2020. The increase in the gearing ratio was primarily a result of the increase in other borrowings and lease liabilities. Gearing ratio was calculated by dividing total debt (which mainly consisted of bank and other borrowings and lease liabilities) by total equity as at the dates indicated and multiplied by 100%.

**Capital Expenditure**

During the six months ended 30 June 2020, the Group's total capital expenditure amounted to approximately RMB20,000, which was mainly used in machinery and office equipment (six months ended 30 June 2019: RMB405,000).

**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 2020, 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, restricted cash and trade receivables. The following table sets forth the carrying amounts of assets pledged to secure the bank borrowings and bills payables:

| | **As at 30 June 2020** *RMB'000* **(Unaudited)** | As at 30 June 2019 *RMB'000* (Unaudited) |
|---|---|---|
| Property, plant and equipment | **18,445** | 24,127 |
| Investment property | **4,482** | – |
| Right-of-use assets | **10,876** | – |
| Prepaid land lease payments | **–** | 11,737 |
| Trade receivables | **–** | 18,554 |
| Restricted cash | **9,805** | 32,059 |
| Total | **43,608** | 86,477 |

In addition to the above, as at 30 June 2020, 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 2020 (six months ended 30 June 2019: nil).

**Contingent Liabilities**

As at 30 June 2020, the Group did not have any significant contingent liabilities (as at 30 June 2019: 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 2020 (six months ended 30 June 2019: nil).

**Human Resources and Remuneration**

As at 30 June 2020, the Group employed 254 employees (as at 30 June 2019: 262) with total staff costs of approximately RMB11.8 million incurred for the same period (for the six months ended 30 June 2019: approximately RMB11.7 million). The increase of staff costs of the Group was mainly due to the increase in directors' emoluments. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

**Interim Dividend**

The Board proposed not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 2020, the net proceeds from the Listing has been utilised as follows:

| Use of net proceeds from the Listing | Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus | Approximate % of total actual net proceeds | Actual amount utilised from the Listing Date up to 30 June 2020 | Balance as at 30 June 2020 | Expected timeline for the remaining use of net proceeds *(Note)* For the year ending 31 December 2020 | For the year ending 31 December 2021 |
|---|---|---|---|---|---|---|
| | *RMB'000* | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Purchase and upgrade of production equipment, as well as expansion and maintenance of the production facilities | 23,303 | 62% | 3,568 | 19,735 | 17,766 | 1,969 |
| Expansion and upgrade of non-production facilities, including but not limited to warehouse and other supporting facilities | 5,638 | 15% | 1,334 | 4,304 | 4,078 | 226 |
| 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 | – | – | – |
| | 37,585 | 100% | 13,546 | 24,039 | 21,844 | 2,195 |

*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 2020, unutilised proceeds amounted to approximately HK$27.0 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 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 2020.

**Capital Commitments**

As at 30 June 2020, the Group did not have any capital commitments in terms of acquisition of property, plant and equipment (as at 30 June 2019: nil).

## FUTURE OUTLOOK

The COVID-19 Outbreak exerted massive impact on the global and China's economies. Although the pandemic is being gradually contained, and governments around the world actively seek measures to pull their economies back on track, they will take time to recover upon such impact from the pandemic, thereby clouding the short-term outlook. Fortunately, industrial production activities resumed as the lockdown measures have been eased in various provinces and cities of China. Despite that the domestic consumption growth is still in the period of negative growth, the negative growth rate of total retail sales of consumer goods has been narrowing for the fourth consecutive months, showing sign that the pandemic is tapering off. The Group expects that the overall operating environment will improve in the second half of this year.

Looking forward, the tobacco market anticipates government control policy over the industry in the coming years. Although such policy direction is set to lower the demand for tobacco related products, the Group will continue to consolidate its market position through technique innovation and greater marketing and promotion efforts. The Group will focus on the market development in Jiangsu Province, Anhui Province and other markets in China, so as to grasp the opportunities arising from the traditional peak season of the sector and businesses catching up with delayed orders upon the pandemic being contained. The Group is still optimistic about the long-term outlook of the cigarette packaging industry.

While solidifying its cigarette packaging business, the Group will continue to explore its household paper product and new energy operations, adopt diversification and tap the enormous room for development brought by the growth in demand for domestic consumption and the rise of living standard. Through its professional management team of the new energy business including supply of steam for industrial use, household heating and electricity supply, the Group aims to create huge growth potential. Furthermore, new business models emerge 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 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 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 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 2020 Interim Report is expected to be despatched to the shareholders of the Company on or before Monday, 28 September 2020 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, 28 August 2020

*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. Chan Yee Ping Michael as independent non-executive Directors.*