



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
REPORT
2020

LEADING IN
INNOVATION
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CORPORATE INFORMATION

Name of directors

Mr. Chen Shuming (*Chairman and Executive Director*)
 Mr. Chen Xiaolong (*Executive Director*)
 Mr. Hu Enfeng (*Executive Director*)
 Ms. Wu Cheuk Yan (*Executive Director*)
 Mr. Zhang Shihua (*Executive Director*)
 Ms. Chen Xiaoyan (*Executive Director*)
 Mr. Chen Hua (*Independent non-executive Director*)
 Mr. Zhao Zhendong (*Independent non-executive Director*)
 Mr. Chan Yee Ping Michael
 (*Independent non-executive Director*)

Stock code

1629

Registered office

Second Floor, Century Yard
 Cricket Square, P.O. Box 902
 Grand Cayman, KY1-1103
 Cayman Islands

Headquarters in the PRC

Dongping Economic Development Zone
 Shandong Province
 PRC

Principal place of business in Hong Kong

Room A, 17th Floor
 Capitol Centre Tower 2
 28 Jardine's Crescent
 Causeway Bay
 Hong Kong

Company's website

www.championshipintl.com

(Note: the information contained in this website does not form part of this report)

Company secretary

Mr. Lau Ka Ming

Authorised representatives

Mr. Chen Shuming
 Mr. Lau Ka Ming

Audit committee

Mr. Chan Yee Ping Michael (*Chairman*)
 Mr. Chen Hua
 Mr. Zhao Zhendong

Remuneration committee

Mr. Chen Hua (*Chairman*)
 Mr. Chen Shuming
 Mr. Zhao Zhendong

Nomination committee

Mr. Chen Shuming (*Chairman*)
 Mr. Zhao Zhendong
 Mr. Chan Yee Ping Michael

Principal share registrar

Tricor Services (Cayman Islands) Limited
 Second Floor, Century Yard
 Cricket Square, P.O. Box 902
 Grand Cayman, KY1-1103
 Cayman Islands

Hong Kong branch share registrar

Tricor Investor Services Limited
 Level 54, Hopewell Centre
 183 Queen's Road East
 Hong Kong

Principal bankers

China Merchants Bank, Yichang Branch
 Bank of China Limited, Yichang Dongshan Branch

Legal adviser as to Hong Kong laws

Wan & Tang
 23rd Floor
 Somptueux Central
 52 Wellington Street
 Central, Hong Kong

Auditor

Ernst & Young
 22/F, CITIC Tower
 1 Tim Mei Avenue
 Central
 Hong Kong

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 "Period"), 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 (<i>thousand metres</i>)	102,400	102,400
Actual production volume (<i>thousand metres</i>)	66,541	48,794
Utilisation rate	65.0%	47.7%

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	As at
	30 June 2020	30 June 2019
	RMB'000	RMB'000
	(Unaudited)	(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).

MANAGEMENT DISCUSSION AND ANALYSIS

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:

	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus	RMB'000	Expected timeline for the remaining use of net proceeds (Note)				
			Actual amount utilised from the Listing	Balance as at 30 June 2020	For the year ending 31 December 2020	For the year ending 31 December 2021	
			Approximate % of total actual net proceeds	Date up to 30 June 2020	RMB'000	RMB'000	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	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 report, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the following Director or chief executive of the Company had or was deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

Interests in the Company

Name	Nature of Interest	Number of Shares held (long position)	Approximate percentage of interests
Mr. Chen Shuming ^(Note) ("Mr. Chen")	Interest in a controlled corporation	350,000,000 (L)	70%

Note: Mr. Chen beneficially owns 100% of the issued share capital of Champion Alliance International Corporation, a company incorporated in the British Virgin Islands with limited liability. Therefore, Mr. Chen is deemed, or taken to be, interested in the same number of the Shares held by Champion Alliance International Corporation for the purpose of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests in Associated Corporations of the Company

As at 30 June 2020, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Name	Name of associated corporation	Capacity	Number of Shares held	Approximate percentage of interests
Mr. Chen	Champion Alliance International Corporation	Beneficial owner	1	100%

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

So far as is known to the Directors, as at 30 June 2020, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or shorts positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity	Total number of Shares held (long position)	Approximate percentage of interests
Champion Alliance International Corporation	Beneficial owner (Note 1)	350,000,000	70.00%
Ms. Chen Xiuchun	Interest of spouse (Note 2)	350,000,000	70.00%
CM Asset Management (Hongkong) Company Limited	Investment manager	45,704,000	9.14%
Shareholder Value Fund	Beneficial owner	45,704,000	9.14%
Million Success Group Corporation	Beneficial owner (Note 3)	25,000,000	5.00%
Mr. He Guangrui (Note 4) ("Mr. He")	Interest in a controlled corporation	25,000,000	5.00%
Ms. Tao Wei	Interest of spouse (Note 5)	25,000,000	5.00%

Notes:

1. These Shares were beneficially owned by Champion Alliance International Corporation, which is wholly-owned by Mr. Chen.
2. Ms. Chen Xiuchun is the spouse of Mr. Chen, who in turn beneficially owns the entire issued share capital of Champion Alliance International Corporation, and is deemed to be interested in all the Shares in which Mr. Chen is interested pursuant to the SFO.
3. These Shares were beneficially owned by Million Success Group Corporation, which is in turn wholly-owned by Mr. He.
4. Mr. He beneficially owns 100% of the issued share capital of Million Success Group Corporation, a company incorporated in the British Virgin Islands with limited liability. Therefore, Mr. He is deemed, or taken to be, interested in the same number of the Shares held by Million Success Group Corporation for the purpose of the SFO.
5. Ms. Tao Wei is the spouse of Mr. He, who in turn beneficially owns the entire issued share capital of Million Success Group Corporation, and is deemed to be interested in all the Shares in which Mr. He is interested pursuant to the SFO.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other person (other than the Directors or chief executive of the Company) who had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 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 interim report, no option had been granted, agreed to be granted, exercised, cancelled or lapsed under the Scheme.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the period under review, none of the Directors or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' MATERIAL INTERESTS IN CONTRACTS

Save as disclosed above or in this interim report, no Director had any material interests in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Period.

CHANGE IN INFORMATION OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of information on the Directors are as follows:

Mr. Chan Yee Ping Michael has been appointed as an independent non-executive director of Beijing Media Corporation Limited (stock code: 1000) on 19 June 2020.

Ms. Wu Cheuk Yan has been appointed as an executive Director of the Company on 24 June 2020.

Mr. He has retired as an executive Director of the Company on 24 June 2020.

For details of the changes of information on the Directors, please refer to the Company's announcement dated 24 June 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

The Company established the audit committee of the Board (the "Audit Committee") on November 2016 with written terms of reference in compliance with Rule 3.22 of the Listing Rules and provision C3.3 of the CG Code set out in Appendix 14 to the Listing Rules. 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 composition of the Audit Committee meets the requirements of Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee, among other things, are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and oversee the independence and qualifications of the external auditors and objectivity and the effectiveness of the audit process in accordance with applicable standards. The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 together with the notes attached thereto have been reviewed by the Audit Committee but have not been audited by the Company's auditor.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 the Model Code throughout the Period.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event during the period from 1 July 2020 up to the date of this interim report.

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

		Six months ended 30 June	
		2020	2019
	Notes	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE			Six months ended 30 June
Cost of sales	5	288,926	231,235
		(242,990)	(194,848)
Gross profit		45,936	36,387
Other income and gains, net	6	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	7	8,827	9,645
Income tax expense	8	(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 (<i>RMB cents per share</i>)	9	0.65	1.40

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2020	As at 31 December 2019
Notes	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	11 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	12 148,659	141,347
Prepayments, deposits and other receivables	54,726	17,356
Income tax recoverable	278	415
Restricted cash	13 9,805	17,475
Cash and cash equivalents	13 36,090	35,694
Total current assets	318,225	320,469
CURRENT LIABILITIES		
Trade and bills payables	16 160,653	143,720
Other payables and accruals	19,761	45,845
Income tax payable	1,949	319
Bank and other borrowings	15 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2020 Notes	As at 31 December 2019 RMB'000 (Unaudited)
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	14	4,459
Reserves	119,675	116,829
TOTAL EQUITY	124,134	121,288

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Issued capital	Share premium account	Share-based compensation reserve	Merger reserve	Exchange fluctuation reserve	PRC statutory reserve	Retained profits	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2020	4,459	63,065	—	23,803	497	13,024	16,440	121,288
Profit for the period	—	—	—	—	—	—	3,231	3,231
Other comprehensive income for the period:								
— Exchange differences on translation of the Company's financial statements into its presentation currency	—	—	—	—	(385)	—	—	(385)
Total comprehensive income for the period	—	—	—	—	(385)	—	3,231	2,846
At 30 June 2020	4,459	63,065	—	23,803	112	13,024	19,671	124,134
At 1 January 2019	4,459	63,065	2,000	23,803	—	13,024	6,199	112,550
Profit and total comprehensive income for the period	—	—	—	—	—	—	7,015	7,015
Share-based compensation expense	—	—	250	—	—	—	—	250
At 30 June 2019	4,459	63,065	2,250	23,803	—	13,024	13,214	119,815

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	8,827	9,645
Adjustments for:		
Bank interest income	(164)	(196)
Subsidy income	(73)	(73)
Finance costs	4,166	339
Depreciation of items of property, plant and equipment	1,376	1,731
Depreciation of investment property	132	–
Depreciation of right-of-use assets	5,641	336
Amortisation of intangible assets	17	26
Impairment of trade receivables, net	–	175
Share-based compensation expense	–	250
	<hr/>	<hr/>
Decrease/(increase) in inventories	19,922	12,233
(Increase)/decrease in trade and bills receivables	39,515	(1,112)
Increase in prepayments, deposits and other receivables	(7,312)	29,146
Increase/(decrease) in trade and bills payables	(37,370)	(58,577)
(Decrease)/increase in other payables and accruals	16,933	(16,785)
Exchange alignments	(26,084)	63,111
	<hr/>	<hr/>
Cash generated from operations	5,648	28,016
Income tax paid	(3,829)	(1,866)
	<hr/>	<hr/>
Net cash flows from operating activities	1,819	26,150
Cash flows from investing activities		
Purchases of property, plant and equipment	(20)	(405)
Additions of computer software	–	(41)
Interest received	164	196
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	144	(250)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Cash flows from financing activities		
Interest paid	(3,974)	(332)
Decrease in restricted cash	7,670	6,061
Principal portion of lease payments	(5,610)	(148)
Advance from the ultimate holding company	–	1,536
Net cash flows (used in)/from financing activities	(1,914)	7,117
Net increase in cash and cash equivalents	49	33,017
Cash and cash equivalents at beginning of the period	35,694	5,912
Effect of foreign exchange rate changes, net	347	–
Cash and cash equivalents at end of the period	36,090	38,929

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 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 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OPERATING SEGMENT INFORMATION

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

- (a) the cigarette packaging products segment manufactures and sells cigarette packaging products and provides related processing service in Mainland China;
- (b) the new energy operation segment engages in the production and sale of steam for industrial use 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 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 5)								
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OPERATING SEGMENT INFORMATION *(Continued)*

Other segment information

	Cigarette packaging products		New energy operation		Household paper products		Total	
	Six months ended 30 June 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OPERATING SEGMENT INFORMATION *(Continued)*

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 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (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.

5 REVENUE

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

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Sales of goods	285,442	231,235
Processing service income	3,484	—
	288,926	231,235

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE *(Continued)*

Notes:

(a) Disaggregated revenue information

Period ended 30 June 2020

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				
Sales of cigarette packaging products:				
— Transfer metallised paper	83,568	—	—	83,568
— Laminated metallised paper	8,760	—	—	8,760
	<hr/>	<hr/>	<hr/>	<hr/>
Processing service income	92,328	—	—	92,328
Sale of steam for industrial use and heating and electricity	3,484	—	—	3,484
Sale of household paper products	—	65,796	—	65,796
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	95,812	65,796	127,318	288,926
Timing of revenue recognition				
Goods transferred at a point in time	92,328	65,796	127,318	285,442
Services transferred over time	3,484	—	—	3,484
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	95,812	65,796	127,318	288,926
Geographical market				
All revenue from contracts with customers were generated in Mainland China.				
Period ended 30 June 2019				
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				
Sales of cigarette packaging products:				
— Transfer metallised paper	82,913	—	—	82,913
— Laminated metallised paper	12,539	—	—	12,539
	<hr/>	<hr/>	<hr/>	<hr/>
Steam for industrial use and heating and electricity	95,452	—	—	95,452
Sale of household paper products	—	49,482	—	49,482
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	95,452	49,482	86,301	231,235
Timing of revenue recognition				
Goods transferred at a point in time	95,452	49,482	86,301	231,235
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	95,452	49,482	86,301	231,235

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE *(Continued)*

Notes: (Continued)

(a) Disaggregated revenue information *(Continued)*

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 and payment is generally due within 30 to 150 days from delivery, except for new customers and the sale of steam for industrial use and heating and electricity, where 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 the provision of processing services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance enhances an asset that the customer controls as the asset is enhanced. The input method recognises revenue on the basis of labour time spent on the services.

6 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7 PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(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)
	<hr/>	<hr/>
	554	975
Depreciation of right-of-use assets	5,641	336
Less: Amount included in cost of inventories sold	(5,411)	–
	<hr/>	<hr/>
	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
	<hr/>	<hr/>
	11,762	11,744
Less: Amount included in cost of inventories sold	(4,001)	(4,080)
	<hr/>	<hr/>
	7,761	7,664
Foreign exchange differences, net	(58)	–
Research and development costs	3,329	2,491
Impairment provision for trade receivables	–	175
	<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (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.

9 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 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 2020 (six months ended 30 June 2019: nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB'000 (Unaudited)	Machinery RMB'000 (Unaudited)	Office equipment RMB'000 (Unaudited)	Motor vehicles RMB'000 (Unaudited)	Construction in progress RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Period ended 30 June 2020						
At 1 January 2020:						
Cost	32,297	19,044	2,256	2,011	–	55,608
Accumulated depreciation	(11,219)	(14,648)	(1,619)	(1,471)	–	(28,957)
Net carrying amount	21,078	4,396	637	540	–	26,651
Net carrying amount:						
At 1 January 2020	21,078	4,396	637	540	–	26,651
Additions	–	9	11	–	–	20
Depreciation provided during the period	(767)	(483)	(92)	(34)	–	(1,376)
At 30 June 2020	20,311	3,922	556	506	–	25,295
At 30 June 2020:						
Cost	32,297	19,053	2,267	2,011	–	55,628
Accumulated depreciation	(11,986)	(15,131)	(1,711)	(1,505)	–	(30,333)
Net carrying amount	20,311	3,922	556	506	–	25,295
Period ended 30 June 2019						
At 1 January 2019:						
Cost	38,470	19,007	2,243	1,643	–	61,363
Accumulated depreciation	(11,312)	(13,540)	(1,397)	(1,193)	–	(27,442)
Net carrying amount	27,158	5,467	846	450	–	33,921
Net carrying amount:						
At 1 January 2019	27,158	5,467	846	450	–	33,921
Additions	–	–	18	–	387	405
Depreciation provided during the period	(935)	(544)	(160)	(92)	–	(1,731)
At 30 June 2019	26,223	4,923	704	358	387	32,595
At 30 June 2019:						
Cost	38,470	19,007	2,261	1,643	387	61,768
Accumulated depreciation	(12,247)	(14,084)	(1,557)	(1,285)	–	(29,173)
Net carrying amount	26,223	4,923	704	358	387	32,595

Note: At 30 June 2020, certain of the Group's plant and buildings and machinery with an aggregate net carrying amount of RMB18,445,000 (31 December 2019: RMB15,020,000) were pledged to secure general banking facilities granted to the Group (note 15(a)).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 TRADE AND BILLS RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (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

Notes:

The Group's trading terms with its customers for the sale of goods and provision of processing services are mainly on credit, except for new customers of the new energy operation, where payment in advance is normally required. The credit period is generally 30 to 150 days. Each customer has a maximum credit limit. The Group seek 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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Cash and bank balances (<i>notes (a) and (b)</i>)	45,895	53,169
Less: Restricted cash (<i>note (c)</i>)	(9,805)	(17,475)
	36,090	35,694

Notes:

- (a) At 30 June 2020, the cash and bank balances of the Group denominated in RMB amounted to RMB33,937,000 (31 December 2019: RMB34,957,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.
- (b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are all pledged to a bank and made for varying periods of between five months and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged bank deposits are deposited with creditworthy banks with no recent history of default.
- (c) At 30 June 2020, a bank deposit of RMB9,805,000 (31 December 2019: RMB17,475,000) was pledged to a bank for the issuance of bank acceptance notes in respect of future settlement to suppliers of the Group (*note 16(b)*).

14 SHARE CAPITAL

	As at 30 June 2020 <i>HK'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> equivalent	As at 31 December 2019 <i>HK'000</i> (Audited)	As at 31 December 2019 <i>RMB'000</i> equivalent
Authorised:				
1,000,000,000 ordinary shares of HK\$0.01 each	10,000		10,000	
Issued and fully paid:				
500,000,000 ordinary shares of HK\$0.01 each	5,000	4,459	5,000	4,459

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 BANK AND OTHER BORROWINGS

	As at 30 June 2020				As at 31 December 2019				
	Interest rate per annum	Notes	(%)	Maturity	RMB'000 (Unaudited)	Interest rate per annum	Notes	Maturity	RMB'000 (Audited)
Bank and other borrowings									
repayable on demand:									
Bank loan — secured	(a)		3.7	2021	15,000	4.2		2020	15,000
Other loan — secured	(b), (c)		18	on demand	36,524	9		on demand	35,748
Current:					51,524				50,748

Notes:

- (a) The Group had a bank facility in an aggregate amount of RMB45,000,000 (2019: RMB45,000,000), of which RMB15,000,000 (2019: RMB15,000,000) had been utilised as at the end of the reporting period. The bank facility is secured by the following assets:

	Carrying amount			
	As at 30 June 2020	As at 31 December 2019	RMB'000	RMB'000
	Notes	(Unaudited)		(Audited)
Property, plant and equipment		11	18,445	15,020
Investment property			4,482	4,614
Right-of-use assets			10,876	11,039
			33,803	30,673

- (b) The Group's other loan as at 30 June 2020 was borrowed from an independent third party to provide additional working capital to the cigarette packaging material operation of the Group. The loan is denominated in Hong Kong dollar, has a term of two years and is secured by the Group's equity interest in wholly-owned subsidiary.

Pursuant to a supplemental agreement to the loan agreement entered into between the Company and the lender, the loan interest rate has been increased to 18% per annum, which the loan interest is amounted to HK\$36,000,000 (equivalent to RMB3,268,000) for current period.

- (c) The loan agreement of the other loan as at 30 June 2020 contains a repayment on demand clause and the expected repayment date of this loan as set out in the loan agreement is in January 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 TRADE AND BILLS PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	133,942	108,769
Bills payables (<i>note (b)</i>)	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 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (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.

17 RELATED PARTY TRANSACTIONS

- (a) The directors of the Company are of the view that the following parties that had transactions or balances with the Group are related parties:

Name	Relationship
Mr. Zhang Weixiang	Former controlling shareholder
Mr. Chen Shuming ("Mr. Chen")	Executive director and controlling shareholder
Champion Alliance International Corporation	Ultimately holding company

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensations

Key management compensations for the period are as follows:

	Six months ended 30 June	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, wages, bonuses, welfare and other benefits	2,614	2,296
Contributions to pension plans	16	8
	2,630	2,304

(c) Balance with a related party

	As at 30 June <i>RMB'000</i>	As at 31 December 2019 <i>RMB'000</i>
	(Unaudited)	(Audited)
Champion Alliance International Corporation (<i>note</i>)	1,210	1,208

Note: The amount due to ultimate holding company was unsecured, interest-free and repayable on demand.

18 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2020 and 2019 are classified as financial assets and liabilities at amortised cost, respectively.

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 report, 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.