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Champion Alliance International Holdings Limited

冠均國際控股有限公司

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

(Stock Code: 1629)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 decreased by approximately 12.1% or RMB34.9 million to approximately RMB254.0 million.
- Gross profit for the six months ended 30 June 2021 increased by approximately 18.3% or RMB8.4 million to approximately RMB54.3 million.
- Profit attributable to owners of the Company for the six months ended 30 June 2021 increased by approximately 315.6% or approximately RMB10.1 million to approximately RMB13.3 million.
- Basic earnings per share of the Company for the six months ended 30 June 2021 was approximately RMB2.67 cents (six months ended 30 June 2020: approximately RMB0.65 cents).
- The board of directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 (the “**Period**”) together with the comparative results for the six months ended 30 June 2020 as follows:

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

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	5	253,968	288,926
Cost of sales		(199,637)	(242,990)
Gross profit		54,331	45,936
Other income and gains	6	5,621	792
Selling and distribution expenses		(18,632)	(20,874)
Administrative expenses		(13,158)	(9,532)
Other expenses		(2,585)	(3,329)
Finance costs		(1,856)	(4,166)
PROFIT BEFORE INCOME TAX	7	23,721	8,827
Income tax expense	8	(9,615)	(5,596)
PROFIT FOR THE PERIOD		14,106	3,231
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of the Company's financial statements into its presentation currency		121	(385)
TOTAL COMPREHENSIVE INCOME		14,227	2,846

	<i>Notes</i>	Six months ended 30 June	
		2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company		13,349	3,231
Non-controlling interests		757	–
		<u>14,106</u>	<u>3,231</u>
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company		13,470	2,846
Non-controlling interests		757	–
		<u>14,227</u>	<u>2,846</u>
EARNINGS PER SHARE			
Basic and diluted (<i>RMB cents per share</i>)	9	<u>2.67</u>	<u>0.65</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		23,323	24,523
Investment property		4,218	4,350
Right-of-use assets		17,501	24,097
Computer software		56	66
		<hr/>	<hr/>
Total non-current assets		45,098	53,036
CURRENT ASSETS			
Inventories		58,383	78,209
Trade and bills receivables	11	99,514	165,172
Prepayments, deposits and other receivables		18,113	20,456
Income tax recoverable		280	963
Restricted cash		37,555	48,721
Cash and cash equivalents		157,406	66,459
		<hr/>	<hr/>
Total current assets		371,251	379,980
CURRENT LIABILITIES			
Trade and bills payables	12	185,976	175,379
Other payables and accruals		41,929	71,115
Income tax payable		2,121	1,253
Bank and other borrowings		41,787	48,462
Lease liabilities		6,876	12,840
		<hr/>	<hr/>
Total current liabilities		278,689	309,049
NET CURRENT ASSETS		92,562	70,931
TOTAL ASSETS LESS CURRENT LIABILITIES		137,660	123,967
NON-CURRENT LIABILITIES			
Lease liabilities		–	461
Deferred government grants		725	798
		<hr/>	<hr/>
Total non-current liabilities		725	1,259
NET ASSETS		136,935	122,708
EQUITY			
Share capital		4,459	4,459
Reserves		130,812	117,342
		<hr/>	<hr/>
Equity attributable to owners of the Company		135,271	121,801
Non-controlling interests		1,664	907
		<hr/>	<hr/>
TOTAL EQUITY		136,935	122,708

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**” or “**China**”);
- production and sale 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 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

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:

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

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

3 ESTIMATES

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

In preparing the Interim Financial Information, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

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/(loss) before tax except that interest income, finance costs as well as head office and corporate income and expenses are excluded from such measurement.

Segment revenue and results

	Cigarette packaging products		New energy operation		Household paper products		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 5)								
Revenue from external customers	78,900	95,812	76,639	65,796	98,429	127,318	253,968	288,926
Segments results	(8,747)	(3,106)	33,528	16,936	6,282	4,695	31,063	18,525
<i>Reconciliation:</i>								
Bank interest income							341	164
Corporate and other unallocated expenses							(5,827)	(5,696)
Finance costs							(1,856)	(4,166)
Profit before income tax							23,721	8,827

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	
	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of items of property, plant and equipment								
– Operating segments	1,183	1,369	–	–	–	–	1,183	1,369
– Amount unallocated							21	7
							<u>1,204</u>	<u>1,376</u>
Depreciation of investment property	132	132	–	–	–	–	132	132
Depreciation of right-of-use assets								
– Operating segments	163	163	5,915	5,377	–	–	6,078	5,540
– Amount unallocated							510	101
							<u>6,588</u>	<u>5,641</u>
Amortisation of computer software	10	17	–	–	–	–	10	17
Reversal of impairment of trade receivables	–	–	(878)	–	–	–	(878)	–
Capital expenditure*	6	9	–	–	–	–	6	9
	<u>6</u>	<u>9</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>6</u>	<u>9</u>

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

Geographical information

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

Information about major customers

During the six months ended 30 June 2021, one (2020: two) external customer 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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cigarette packaging products segment:		
Customer A	27,542	30,863
Household paper products segment:		
Customer B	<u>N/A</u>	<u>31,802</u>

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

5 REVENUE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Sale of cigarette packaging products:		
– Transfer metallised paper	51,839	83,568
– Laminated metallised paper	<u>3,705</u>	<u>8,760</u>
	55,544	92,328
Processing service income	23,356	3,484
Sale of steam for industrial use and heating and electricity	76,639	65,796
Sale of household paper products	<u>98,429</u>	<u>127,318</u>
	<u>253,968</u>	<u>288,926</u>

6 OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Bank interest income	341	164
Rental concession	–	23
Rental income	467	335
Subsidy income*	73	73
Government grants#	3,664	–
Reversal of impairment of trade receivables	878	–
Net foreign exchange gains	171	58
Others	27	139
	<u>5,621</u>	<u>792</u>

* The balance as at 30 June 2021 included subsidies of RMB725,000 (30 June 2020: RMB871,000) received from various government authorities in Mainland China for the purchase of plant and machinery to support the development of the cigarette packaging products business of the Group. The subsidies are interest-free and will be amortised over the expected useful lives of the relevant assets.

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

7 PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	193,104	236,757
Depreciation of items of property, plant and equipment	1,204	1,376
Less: Amount included in cost of inventories sold	(584)	(822)
	620	554
Depreciation of right-of-use assets	6,588	5,641
Less: Amount included in cost of inventories sold	(5,949)	(5,411)
	639	230
Depreciation of investment property	132	132
Amortisation of computer software	10	17
Lease payments not included in the measurement of lease liabilities	31	30
Reversal of impairment of trade receivables	(878)	–
Loss on disposal of property, plant and equipment	1	–
Employee benefit expense (including directors' remuneration):		
Salaries, bonus and benefits in kind	11,752	11,133
Defined contribution scheme contributions	1,066	629
	12,818	11,762
Less: Amount included in cost of inventories sold	(5,590)	(4,001)
	7,228	7,761
Foreign exchange differences, net	(171)	(58)
Research and development costs	2,451	3,329

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current – Mainland China Charge for the Period	<u>9,615</u>	<u>5,596</u>
Total income tax expense	<u><u>9,615</u></u>	<u><u>5,596</u></u>

Note: 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 (2020: 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

The calculation of the basic earnings (2020: earnings) per share amount is based on the unaudited profit for the Period attributable to shareholders of the Company of RMB13,349,000 (2020: RMB3,231,000), and the weighted average number of ordinary shares of 500,000,000 (2020: 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 2021 and 2020 for a dilution as the Group had no potentially dilutive or 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 2021 (six months ended 30 June 2020: nil).

11 TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	92,924	170,348
Less: Impairment	<u>(4,298)</u>	<u>(5,176)</u>
Trade receivables – net	88,626	165,172
Bills receivables	<u>10,888</u>	<u>–</u>
	<u>99,514</u>	<u>165,172</u>

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 month	41,856	52,514
1 to 2 months	1,105	47,208
2 to 3 months	10,398	27,268
3 to 4 months	21,443	21,648
Over 4 months	<u>24,712</u>	<u>16,534</u>
	<u>99,514</u>	<u>165,172</u>

12 TRADE AND BILLS PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables	110,866	96,667
Bills payables (<i>note (b)</i>)	<u>75,110</u>	<u>78,712</u>
	<u>185,976</u>	<u>175,379</u>

Notes:

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

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 month	94,515	122,360
1 to 2 months	7,352	22,771
2 to 3 months	20,932	6,604
Over 3 months	<u>63,177</u>	<u>23,644</u>
	<u>185,976</u>	<u>175,379</u>

- (b) The bills payables are secured by a bank deposit of RMB37,555,000 (31 December 2020: RMB48,721,000) pledged to a bank.

MANAGEMENT DISCUSSION AND ANALYSIS

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

MARKET REVIEW

After the outbreak of the novel coronavirus, industrial production and economic activities gradually resumed since the second quarter of 2020 and China’s economy showed resilience with a year-on-year growth of 6.5% in 2020. Such quick recovery helped China stand out from the rest of the world amidst the greatest global recession since the Great Recession, and saw its gross domestic product grow by 2.3% in 2020, thus making China the only major economy to have expanded in 2020. In the first half of 2021, China’s gross domestic product (“**GDP**”) increased by 12.7% year-on-year.

In addition, consumption in China also gained momentum and recorded positive monthly growth again in its total retail sales of consumer goods since August 2020, compared with the 20.5% drop during the period between January and February 2020. In the first half of 2021, total retail sales of consumer goods witnessed an increase of 12.1% year-on-year.

BUSINESS REVIEW

i. Cigarette Packaging Products

The consumer market has gradually resumed to an active level in Hubei Province. In the first half of 2021, the GDP of Hubei Province increased by 28.5% year-on-year, creating a positive impact to the cigarette packaging business of the Group.

Furthermore, the government of the People’s Republic of China (“**PRC**” or “**China**”) extended its effort in the structural reform of the tobacco market, which included cigarette control, promotion of mental health and cancer prevention. To overcome these challenges, the Group endeavoured to maintain a close communication with existing suppliers, customers and government authorities, while stepping up its effort in keeping up sales and marketing and production.

ii. Steam for Industrial Use and Heating and Electricity

With the continued development of the economy and industrial parks, demand for energy has seen a significant growth in recent years. Meanwhile, supported by government policy, the increasing application of combined heat and power has driven the total installed capacity to climb also.

During the reporting period, the Group's new energy business relied on a professional technology management team of a heating and electricity company which provides integrated services solutions for high-efficiency clean coal technology, clean production, energy saving, and environmental protection. Through these solutions, the Group has helped the country's clean energy industry to transform and upgrade and tackle the long-existing heating supply problem in urban areas and industrial parks. During the reporting period, revenue of this segment was approximately RMB76.6 million, representing an increase of approximately 16.5% as compared to the corresponding period in 2020.

iii. Household Paper Products

After the outbreak of the novel coronavirus, national health awareness has increased significantly and demand for high-quality household paper products became stronger.

Our partnering brands are widely recognised in China for years. During the reporting period, revenue of this segment was approximately RMB98.4 million, representing a decrease of approximately 22.7% as compared to the corresponding period in 2020. The decrease was mainly due to the exceptionally high demand of household paper products in 2020.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2021, the total revenue was approximately RMB254.0 million, representing a decrease of RMB34.9 million over the total revenue of approximately RMB288.9 million for the corresponding period in 2020. Such decrease was because of the decrease in the sale of cigarette packaging materials and household paper products.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2021 and 2020:

	For the six months ended 30 June		Change %
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	
Cigarette packaging products			
– transfer metallised paper	51,839	83,568	(38.0%)
– laminated metallised paper	3,705	8,760	(57.7%)
Processing service income	23,356	3,484	570.4%
Steam for industrial use and heating and electricity	76,639	65,796	16.5%
Household paper products	98,429	127,318	(22.7%)

i. Cigarette Packaging Business

For the six months ended 30 June 2021, revenue of the cigarette packaging business was approximately RMB78.9 million (six months ended 30 June 2020: RMB95.8 million), representing a decrease of approximately 17.6% as compared with the corresponding period in 2020.

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 RMB175.1 million in the first half of 2021 (six months ended 30 June 2020: RMB193.1 million).

Gross Profit and Gross Profit Margin

The Group's gross profit increased from approximately RMB45.9 million for the six months ended 30 June 2020 to approximately RMB54.3 million for the six months ended 30 June 2021. The increase was mainly due to the effectiveness in cost control of the Group. Gross profit margin increased from approximately 15.9% for the six months ended 30 June 2020 to approximately 21.4% for the six months ended 30 June 2021.

Other Income and Gains

For the six months ended 30 June 2021, the Group's other income and gains mainly consisted of rental income, bank interest income, subsidy income, government grants and other income. The other income and gains increased by 607.1% to approximately RMB5.6 million for the six months ended 30 June 2021 from approximately RMB792,000 for the six months ended 30 June 2020. The increase was mainly due to the governmental subsidies received for the reporting period.

Selling and Distribution Expenses

During the reporting period, selling and distribution expenses mainly consisted of (i) costs of transportation expenses, (ii) staff costs, (iii) entertainment expenses, (iv) travelling expenses and (v) other expenses. The Group's selling and distribution expenses decreased by approximately 11.0% from approximately RMB20.9 million for the six months ended 30 June 2020 to approximately RMB18.6 million for the six months ended 30 June 2021. The decrease in selling and distribution expenses was mainly due to the decrease in revenue.

Administrative Expenses

For the six months ended 30 June 2021, administrative expenses mainly consisted of (i) staff costs, (ii) depreciation and amortisation, (iii) entertainment expenses and (iv) other expenses. Administrative expenses increased from approximately RMB9.5 million for the six months ended 30 June 2020 to approximately RMB13.2 million for the six months ended 30 June 2021. The increase in administrative expenses of the Group was mainly due to the increase of staff costs and repair and maintenance expenses for the reporting period.

Other Expenses

For the six months ended 30 June 2021, the Group's other expenses consisted of research and development expenses, depreciation and impairment of the Group's assets. The other expenses were approximately RMB2.6 million for the six months ended 30 June 2021 as compared to approximately RMB3.3 million for the six months ended 30 June 2020. The decrease was mainly due to the decrease in research and development expenses for the reporting period.

Finance Costs

Finance costs consisted of interest expenses from bank and other borrowings and interest on lease liabilities. The finance expenses were approximately RMB1.9 million for the reporting period (for the six months ended 30 June 2020: RMB4.2 million). The decrease was mainly attributable to the decrease in interest expenses from a loan from an independent third party.

Income Tax Expense

The Group's income tax expense was approximately RMB9.6 million for the six months ended 30 June 2021. The Group's income tax expense was approximately RMB5.6 million in the corresponding period of 2020.

Profit Attributable to Owners of the Company

For the six months ended 30 June 2021, the Group's profit attributable to owners of the Company was approximately RMB13.3 million. Profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately RMB3.2 million. The increase was mainly attributable to the effectiveness in cost control and governmental subsidies received during the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

Net Current Assets

The Group recorded net current assets of approximately RMB92.6 million as at 30 June 2021, while the net current assets as at 30 June 2020 was approximately RMB70.9 million.

Borrowings and Gearing Ratio

The total borrowings of the Group as at 30 June 2021 were approximately RMB41.8 million (as at 30 June 2020: RMB51.5 million). The Group's gearing ratio increased from approximately 46.2% as at 30 June 2020 to approximately 35.6% as at 30 June 2021. The decrease in the gearing ratio was primarily a result of the decrease in bank borrowings and lease liabilities. Gearing ratio was calculated by dividing total debt (which mainly consisted of bank and other borrowings and lease liabilities) by total equity as at the dates indicated and multiplied by 100%.

Capital Expenditure

During the six months ended 30 June 2021, the Group's total capital expenditure amounted to approximately RMB6,000, which was mainly used in machinery (six months ended 30 June 2020: RMB20,000).

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 2021, there had been no change in the number of issued shares in the Company.

Charge on Assets

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 30 June 2020 RMB'000 (Unaudited)
Property, plant and equipment	13,347	18,445
Investment property	4,218	4,482
Right-of-use assets	10,551	10,876
Restricted cash	37,555	9,805
	<hr/>	<hr/>
Total	65,671	43,608
	<hr/> <hr/>	<hr/> <hr/>

In addition to the above, as at 30 June 2021, 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 2021 (six months ended 30 June 2020: nil).

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (as at 30 June 2020: nil).

Foreign Exchange Risk

The Group's transactions were mainly conducted in RMB, the functional currency of certain subsidiaries of the Group, and the major receivables and payables were denominated in RMB. The Group's exposure to foreign currency risk related primarily to certain bank balances and cash and other payables maintained in Hong Kong dollars ("HK\$"). The Group did not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

Human Resources and Remuneration

As at 30 June 2021, the Group employed 231 employees (as at 30 June 2020: 254) with total staff costs of approximately RMB12.8 million incurred for the same period (for the six months ended 30 June 2020: approximately RMB11.8 million). The increase of staff costs of the Group was mainly due to the increase in direct labour costs. The Group's remuneration packages are generally structured with reference to market terms and individual merits.

Interim Dividend

The Board proposed not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021, the net proceeds from the Listing has been utilised as follows:

	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus RMB'000	Approximate % of total actual net proceeds	Actual amount utilised from the Listing Date up to 30 June 2021 RMB'000	Balance as at 30 June 2021 RMB'000	Expected timeline for the remaining use of net proceeds (Note)	
					For the year ending 31 December 2021 RMB'000	For the year ending 31 December 2022 RMB'000
Use of net proceeds from the Listing						
Purchase and upgrade of production equipment, as well as expansion and maintenance of the production facilities	23,303	62%	3,568	19,735	1,969	17,766
Expansion and upgrade of non-production facilities, including but not limited to warehouse and other supporting facilities	5,638	15%	1,334	4,304	226	4,078
Business development expenditures, including expanding the geographical coverage of sales network and research and development expenditures relating to the purchase of research and development equipment and to future research and development projects	4,886	13%	4,886	-	-	-
Working capital and general corporate purposes	3,758	10%	3,758	-	-	-
	<u>37,585</u>	<u>100%</u>	<u>13,546</u>	<u>24,039</u>	<u>2,195</u>	<u>21,844</u>

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

As at 30 June 2021, 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 2021.

Capital Commitments

As at 30 June 2021, the Group did not have any capital commitments in terms of acquisition of property, plant and equipment (as at 30 June 2020: nil).

FUTURE OUTLOOK

Despite that the domestic consumption growth fell behind investment and exports, total retail sales of consumer goods has been gaining momentum, showing a sign that the pandemic is tapering off. The Group expects that the overall operating environment will further improve in 2021.

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

SHARE OPTION SCHEME

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

CORPORATE GOVERNANCE

As a publicly listed company, the Directors recognize the importance of good corporate governance standards and internal procedures so as to achieve effective accountability and enhance shareholders’ value. The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the reporting period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) on terms no less exacting than those set out in Appendix 10 to the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors, each of them confirmed that he/she has complied in full with all the required standards in the Model Code throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company throughout the reporting period.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 8 July 2021, the indirect 97% owned subsidiary of the Company, Champion Alliance (Shandong) New Energy Limited Company* (冠均華盈(山東)新能源有限公司), entered into an agreement with Shandong Ruiate Investment Company Limited* (山東瑞奧特投資有限公司) and Qingdao Fenbaoli International Trade Company Limited* (青島芬寶利國際貿易有限公司) to acquire 51% equity interest in China Coal Dongneng (Shandong) Clean Energy Company Limited* (中煤東能(山東)清潔能源有限公司) for a total consideration of RMB102,940,000. The consideration will be payable by the allotment and issuance of the Company’s shares (“**Consideration Shares**”), being in aggregate 46,092,537 new shares at the issue price of HK\$2.68 per share. The Consideration Shares represent approximately 9.22% of the issued share capital of the Company and approximately 8.44% of the share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Save as disclosed, there was no material subsequent event after 30 June 2021 up to the date of this announcement which requires disclosure.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Chin Chi Ho Stanley (as chairman), Mr. Chen Hua and Mr. Zhao Zhendong. The unaudited condensed consolidated interim results (the “**Interim Results**”) have not been audited by the Company’s auditor but the Audit Committee has reviewed the Interim Results and is of the view that the preparation of the Interim Results complied with applicable accounting standards and requirements and has discussed the internal control and financial reporting process with the management of the Group.

* For identification purpose only

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.championshipintl.com and the Stock Exchange's website at www.hkexnews.hk. The interim report of the Company for the six months ended 30 June 2021 is expected to be despatched to the shareholders of the Company on or before Monday, 27 September 2021 and will be available on the above websites.

APPRECIATION

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

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

Hong Kong, 30 August 2021

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