



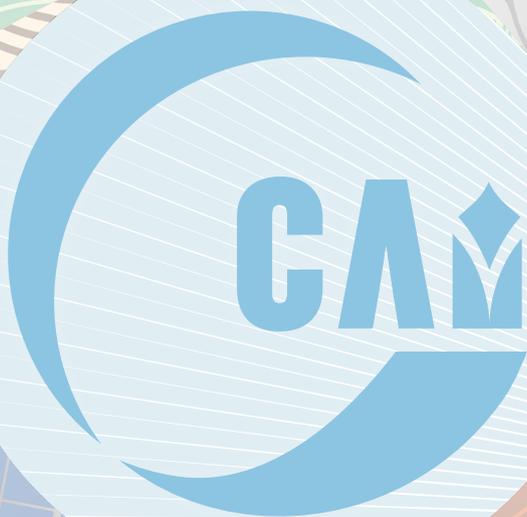
Champion Alliance International Holdings Limited

冠均國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1629

2021 INTERIM REPORT



LEADING

IN INNOVATION STRIVING

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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. Chin Chi Ho Stanley
(*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. Chin Chi Ho Stanley (*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. Chin Chi Ho Stanley

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

Michael Li & Co.
19th Floor, Prosperity Tower
39 Queen's Road East
Central, Hong Kong

Auditor

BDO Limited
25th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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		
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Change %
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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 decreased 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.

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 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
Total	65,671	43,608

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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:

Use of net proceeds from the Listing	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus <i>RMB'000</i>	Approximate % of total actual net proceeds	Actual amount utilised from the Listing Date up to 30 June 2021 <i>RMB'000</i>	Expected timeline for the remaining use of net proceeds (Note)		
				Balance as at 30 June 2021 <i>RMB'000</i>	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>
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	–	–	–
	37,585	100%	13,546	24,039	2,195	21,844

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 report, the Directors do not anticipate any change to the plan on the use of net proceeds.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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.



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 2021, 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 (<i>Note</i>) ("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 2021, 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 2021, 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.

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 2021, 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%

Notes:

- These Shares were beneficially owned by Champion Alliance International Corporation, which is wholly-owned by Mr. Chen.
- 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.



CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, 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.

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. Chin Chi Ho Stanley has been appointed as an independent non-executive Director on 1 February 2021. Mr. Chan Yee Ping Michael has retired as an independent non-executive Director on 1 February 2021.

For details of the changes of information on the Directors, please refer to the Company’s announcement dated 1 February 2021.

Mr. Chen Hua has resigned as an independent non-executive director of Bank of Qingdao Co., Ltd. (H Shares Stock Code: 3866 and Preference Shares Stock Code: 4611), whose shares are listed on the Main Board of the Stock Exchange on 2 July 2021.

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. Chin Chi Ho Stanley (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 2021 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

On 8 July 2021, Champion Alliance (Shandong) New Energy Limited Company* (冠均華盈(山東)新能源有限公司) (the "Purchaser"), an indirect 97% owned subsidiary of the Company, 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) (the "Vendors") and China Coal Dongneng (Shandong) Clean Energy Company Limited* (中煤東能(山東)清潔能源有限公司) (the "Target Company"), pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell 51% equity interest in the Target Company held by the Vendors in aggregate for a total consideration of RMB102,940,000 (equivalent to HK\$123,528,000). The consideration will be payable by the Purchaser procuring the Company to allot and issue to the Vendors the Consideration Shares, being in aggregate 46,092,537 new Shares at the Issue Price of HK\$2.68 per Share.

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

* For identification purpose only



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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	23,323	24,523
Investment property		4,218	4,350
Right-of-use assets		17,501	24,097
Computer software		56	66
Total non-current assets		45,098	53,036
CURRENT ASSETS			
Inventories		58,383	78,209
Trade and bills receivables	12	99,514	165,172
Prepayments, deposits and other receivables		18,113	20,456
Income tax recoverable		280	963
Restricted cash	13	37,555	48,721
Cash and cash equivalents	13	157,406	66,459
Total current assets		371,251	379,980
CURRENT LIABILITIES			
Trade and bills payables	16	185,976	175,379
Other payables and accruals		41,929	71,115
Income tax payable		2,121	1,253
Bank and other borrowings	15	41,787	48,462
Lease liabilities		6,876	12,840
Total current liabilities		278,689	309,049
NET CURRENT ASSETS		92,562	70,931
TOTAL ASSETS LESS CURRENT LIABILITIES		137,660	123,967



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021	As at 31 December 2020
	<i>Note</i>	RMB'000 (Unaudited)	<i>RMB'000 (Audited)</i>
NON-CURRENT LIABILITIES			
Lease liabilities		–	461
Deferred government grants		725	798
Total non-current liabilities		725	1,259
NET ASSETS			
EQUITY		136,935	122,708
Share capital	14	4,459	4,459
Reserves		130,812	117,342
Equity attributable to owners of the Company		135,271	121,801
Non-controlling interests		1,664	907
TOTAL EQUITY		136,935	122,708

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Merger reserve	Exchange fluctuation reserve	PRC statutory reserve	Retained profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2021	4,459	63,065	23,803	2,014	13,024	15,436	121,801	907	122,708
Profit for the period	-	-	-	-	-	13,349	13,349	757	14,106
Other comprehensive income for the period:									
- Exchange differences on translation of the Company's financial statements into its presentation currency	-	-	-	121	-	-	121	-	121
Total comprehensive income for the period	-	-	-	121	-	13,349	13,470	757	14,227
At 30 June 2021	4,459	63,065	23,803	2,135	13,024	28,785	135,271	1,664	136,935
At 1 January 2020	4,459	63,065	23,803	497	13,024	16,440	121,288	-	121,288
Profit for the period	-	-	-	-	-	3,231	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)	-	(385)
Total comprehensive income for the period	-	-	-	(385)	-	3,231	2,846	-	2,846
At 30 June 2020	4,459	63,065	23,803	112	13,024	19,671	124,134	-	124,134



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax expense	23,721	8,827
Adjustments for:		
Bank interest income	(341)	(164)
Subsidy income	(73)	(73)
Finance costs	1,856	4,166
Depreciation of property, plant and equipment	1,204	1,376
Depreciation of investment property	132	132
Depreciation of right-of-use assets	6,588	5,641
Amortisation of computer software	10	17
Loss on disposal of property, plant and equipment	1	–
Reversal of impairment of trade receivables	(878)	–
Cash flows before working capital changes	32,220	19,922
Decrease in inventories	19,826	39,515
Decrease/(increase) in trade and bills receivables	66,536	(7,312)
Decrease/(increase) in prepayments, deposits and other receivables	2,343	(37,370)
Increase in trade and bills payables	10,597	16,933
Decrease in other payables and accruals	(29,186)	(26,084)
Exchange alignments	(19)	44
Cash generated from operations	102,317	5,648
Income tax paid	(8,064)	(3,829)
Net cash generated from operating activities	94,253	1,819
Cash flows from investing activities		
Purchases of property, plant and equipment	(6)	(20)
Interest received	341	164
Net cash generated from investing activities	335	144

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Cash flows from financing activities		
New bank loans	8,500	–
Repayment of bank loans	(15,000)	–
Interest paid	(1,856)	(4,166)
Decrease in restricted cash	11,166	7,670
Principal portion of lease payments	(6,418)	(5,418)
Net cash used in financing activities	(3,608)	(1,914)
Net increase in cash and cash equivalents	90,980	49
Cash and cash equivalents at beginning of the period	66,459	35,694
Effect of exchange rate changes on cash and cash equivalents	(33)	347
Cash and cash equivalents at end of the period	157,406	36,090



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 Main Board of The Stock Exchange of Hong Kong Limited. The registered office address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and the Company’s principal place of business in Hong Kong is located at Room A, 17th Floor, Capitol Centre Tower 2, 28 Jardine’s Crescent, Causeway Bay, Hong Kong.

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

- manufacturing and sale of cigarette packaging materials and provision of related processing services in the mainland (“Mainland China”) of the People’s Republic of China (the “PRC” or “China”);
- production and sale of steam for industrial use 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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.



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/(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 2021	2020	Six months ended 30 June 2021	2020	Six months ended 30 June 2021	2020	Six months ended 30 June 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
Reconciliation:								
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.

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		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020
	<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)
Depreciation of items of property, plant and equipment								
– Operating segments	1,183	1,369	–	–	–	–	1,183	1,369
– Amount unallocated							21	7
							1,204	1,376
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
							6,588	5,641
Amortisation of computer software	10	17	–	–	–	–	10	17
Reversal of impairment of trade receivables	–	–	(878)	–	–	–	(878)	–
Capital expenditure*	6	9	–	–	–	–	6	9

* 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OPERATING SEGMENT INFORMATION *(Continued)*

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	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cigarette packaging products segment:		
Customer A	27,542	30,863
Household paper products segment:		
Customer B	N/A	31,802

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	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of goods	230,612	285,442
Processing service income	23,356	3,484
	253,968	288,926

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE (Continued)

Notes:

(a) Disaggregated revenue information

Period ended 30 June 2021

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

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.

Period ended 30 June 2020

Segments	Cigarette packaging products RMB'000 (Unaudited)	New energy operation RMB'000 (Unaudited)	Household paper products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services				
Sale of cigarette packaging products:				
– Transfer metallised paper	83,568	–	–	83,568
– Laminated metallised paper	8,760	–	–	8,760
	92,328	–	–	92,328
Processing service income	3,484	–	–	3,484
Sale of steam for industrial use and heating and electricity	–	65,796	–	65,796
Sale of household paper products	–	–	127,318	127,318
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	–	127,318	219,646
Goods transferred over time	–	65,796	–	65,796
Services transferred over time	3,484	–	–	3,484
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.

(b) Performance obligations

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

Sale of goods

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

Processing services

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6 OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(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
	5,621	792

* 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the Period	9,615	5,596
Income tax expense	9,615	5,596

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 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).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 PROPERTY, PLANT AND EQUIPMENT

	Plants and buildings RMB'000 (Unaudited)	Machinery RMB'000 (Unaudited)	Furniture and fixtures RMB'000 (Unaudited)	Motor vehicles RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Period ended 30 June 2021					
At 1 January 2021:					
Cost	32,298	17,804	2,482	3,467	56,051
Accumulated depreciation	(12,823)	(14,911)	(2,109)	(1,685)	(31,528)
Net carrying amount	19,475	2,893	373	1,782	24,523
Net carrying amount:					
At 1 January 2021	19,475	2,893	373	1,782	24,523
Additions	–	6	–	–	6
Disposals	–	–	(1)	–	(1)
Depreciation provided during the period	(750)	(271)	(85)	(98)	(1,204)
Exchange adjustment	–	–	(1)	–	(1)
At 30 June 2021	18,725	2,628	286	1,684	23,323
At 30 June 2021:					
Cost	32,298	17,810	2,467	3,467	56,042
Accumulated depreciation	(13,573)	(15,182)	(2,181)	(1,783)	(32,719)
Net carrying amount	18,725	2,628	286	1,684	23,323
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

Note: At 30 June 2021, certain of the Group's plant and buildings and machinery with an aggregate net carrying amount of RMB13,347,000 (31 December 2020: RMB13,927,000) 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 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	92,924	170,348
Less: Impairment	(4,298)	(5,176)
<hr/>		
Trade receivables – net	88,626	165,172
Bills receivables	10,888	–
<hr/>		
	99,514	165,172

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

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (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	24,712	16,534
<hr/>		
	99,514	165,172



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Cash and bank balances (notes (a) and (b))	194,961	115,180
Less: Restricted cash (note (c))	(37,555)	(48,721)
	157,406	66,459

Notes:

- (a) At 30 June 2021, the cash and bank balances of the Group denominated in RMB amounted to RMB193,093,000 (31 December 2020: RMB108,217,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.
- (c) At 30 June 2021, a bank deposit of RMB37,555,000 (31 December 2020: RMB48,721,000) 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 2021 HK\$'000 (Unaudited)	RMB'000 equivalent	As at 31 December 2020 HK\$'000 (Audited)	RMB'000 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 2021			As at 31 December 2020			
	Notes	Interest rate per annum (%)	Maturity	Total RMB'000 (Unaudited)	Interest rate per annum (%)	Maturity	Total RMB'000 (Audited)
Bank and other borrowings repayable on demand:							
Bank loan – secured	(a)	3.85	2022	8,500	3.7	2021	15,000
Other loan – secured	(b)	9	2022	33,287	18	2021	33,462
Current:				41,787			48,462

Notes:

- (a) The Group had a bank facility in an aggregate amount of RMB45,000,000 (2020: RMB45,000,000), of which RMB8,500,000 (2020: RMB15,000,000) had been utilised as at the end of the reporting period. The bank facility is secured by the following assets:

	Note	Carrying amount	
		As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Property, plant and equipment	11	13,347	13,927
Investment property		4,218	4,350
Right-of-use assets		10,551	10,714
		28,116	28,991

- (b) The Group's other loan as at 30 June 2021 and 31 December 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 and secured by the Group's equity interest in a wholly-owned subsidiary.

Pursuant to a supplemental agreement to the loan agreement entered into between the Company and the lender in January 2021, the loan period has been extended to January 2022 with loan interest rate revising to 9% per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 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>)	75,110	78,712
	185,976	175,379

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 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	63,177	23,644
	185,976	175,379

- (b) The bills payables are secured by a bank deposit of RMB37,555,000 (31 December 2020: RMB48,721,000) pledged to a bank (*note 13(c)*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(b) **Key management compensations**

Key management compensations for the period are as follows:

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Salaries, wages, bonuses, welfare and other benefits	1,726	2,614
Contributions to pension plans	30	16
	1,756	2,630

(c) **Balance with a related party**

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
	Champion Alliance International Corporation (<i>note</i>)	1,199

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 2021 and 2020 are classified as financial assets and liabilities at amortised cost, respectively.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19 EVENT 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 Ruiaote 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 and up to the date of this report which requires disclosure.

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 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. Chin Chi Ho Stanley as independent non-executive Directors.

* For identification purpose only