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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 2023

HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 increased by approximately 26.8% or RMB37.1 million to approximately RMB175.3 million.
- Gross profit for the six months ended 30 June 2023 decreased by approximately 28.3% or RMB12.5 million to approximately RMB31.7 million.
- The Group's profit attributable to owners of the Company for the six months ended 30 June 2023 was approximately RMB16.7 million.
- Earning per share of the Company for the six months ended 30 June 2023 was approximately RMB3.06 cents.
- The board of directors of the Company resolved not to declare any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 (the “**Period**”) together with the comparative results for the six months ended 30 June 2022 as follows:

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

		Six months ended 30 June	
	<i>Notes</i>	2023	2022
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Re-presented)
Continuing operations			
Revenue	5	175,261	138,207
Cost of sales		(143,554)	(94,011)
		31,707	44,196
Gross profit			
Other income and gains	6	1,105	488
Selling and distribution expenses		(884)	(1,675)
Administrative expenses		(4,656)	(6,894)
Finance costs		(223)	(1,295)
		27,049	34,820
PROFIT BEFORE INCOME TAX	7	27,049	34,820
Income tax expense	8	(12,469)	(11,099)
		14,580	23,721
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS			
Discontinued operation			
Loss for the period from a discontinued operation	9	–	(46,866)
		14,580	(23,145)
PROFIT/(LOSS) FOR THE PERIOD			
OTHER COMPREHENSIVE 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		(643)	(2,953)
		13,937	(26,098)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD			

		Six months ended 30 June	
		2023	2022
<i>Notes</i>		RMB'000 (Unaudited)	RMB'000 (Unaudited) (Re-presented)
PROFIT/(LOSS) FOR THE PERIOD			
ATTRIBUTABLE TO:			
Owners of the Company			
	From continuing operations	16,717	25,409
	From a discontinued operation	<u>–</u>	<u>(46,866)</u>
		16,717	(21,457)
	Non-controlling interests	<u>(2,137)</u>	<u>(1,688)</u>
		14,580	(23,145)
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Owners of the Company			
	From continuing operations	16,074	22,456
	From a discontinued operation	<u>–</u>	<u>(46,866)</u>
		16,074	(24,410)
	Non-controlling interests	<u>(2,137)</u>	<u>(1,688)</u>
		13,937	(26,098)
EARNINGS/(LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
	– Basic and diluted (<i>RMB cents per share</i>)	<u>10</u>	<u>(3.93)</u>
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
	– Basic and diluted (<i>RMB cents per share</i>)	<u>10</u>	<u>4.65</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023	As at 31 December 2022
<i>Notes</i>		<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		184,988	193,801
Right-of-use assets		38,349	38,988
Computer software		9	14
Prepayments for property, plant and equipment		3,825	3,303
		<hr/>	<hr/>
Total non-current assets		227,171	236,106
CURRENT ASSETS			
Inventories		63,433	47,643
Trade and bills receivables	12	60,310	1,617
Prepayments, deposits and other receivables		11,339	4,052
Income tax recoverable		7	–
Cash and cash equivalents		81,853	160,885
		<hr/>	<hr/>
Total current assets		216,942	214,197
CURRENT LIABILITIES			
Trade payables	13	21,516	16,513
Other payables and accruals		44,290	41,270
Income tax payable		3,070	5,110
Deferred government grants		524	524
		<hr/>	<hr/>
Total current liabilities		69,400	63,417
NET CURRENT ASSETS		<hr/> 147,542	<hr/> 150,780
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 374,713	<hr/> 386,886

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Other payables	414	27,205
Other borrowings	15,440	14,759
Deferred government grants	<u>23,044</u>	<u>23,044</u>
Total non-current liabilities	<u>38,898</u>	<u>65,008</u>
NET ASSETS	<u>335,815</u>	<u>321,878</u>
EQUITY		
Share capital	4,838	4,838
Reserves	<u>245,040</u>	<u>228,966</u>
Equity attributable to owners of the Company	249,878	233,804
Non-controlling interests	<u>85,937</u>	<u>88,074</u>
TOTAL EQUITY	<u>335,815</u>	<u>321,878</u>

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 Third 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 Unit E, 22/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

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

- production and sale of steam for industrial use, household heating and electricity supply in the People’s Republic of China (“**China**”); and
- sale of household paper products in China.

During the last year, the Group discontinued its business of the manufacture and sale of cigarette packaging materials and provision of related processing services in China. Further details of this discontinued operation are set out in note 9.

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 2023 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 2022.

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 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used 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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

Adoption of amended HKFRSs – effective on 1 January 2023

The Hong Kong Institute of Certified Public Accountants has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

None of these amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.
- (b) Amendments to HKAS 8 *Definition of Accounting Estimates* clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2023. The amendments did not have any impact on the financial position or performance of the Group.

- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 2022.

4 OPERATING SEGMENT INFORMATION

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

- (a) the new energy operation segment engages in the production and sale of steam for industrial use, household heating and electricity supply in China;
- (b) the household paper products segment trades household paper products; and
- (c) the cigarette packaging products segment manufactures and sells cigarette packaging products and provides related processing service in China (discontinued operation).

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

	Six months ended 30 June									
	Continuing operations						Discontinued operation			
	New energy operation		Household paper products		Total		Cigarette packaging products		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
RMB'000	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)	(Unaudited)	
Segment revenue (note 5)										
Revenue from external customers	<u>117,163</u>	<u>107,278</u>	<u>58,098</u>	<u>30,929</u>	<u>175,261</u>	<u>138,207</u>	<u>-</u>	<u>54,001</u>	<u>175,261</u>	<u>192,208</u>
Segments results	<u>16,515</u>	<u>32,212</u>	<u>11,568</u>	<u>6,900</u>	<u>28,083</u>	<u>39,112</u>	<u>-</u>	<u>(46,818)</u>	<u>28,083</u>	<u>(7,706)</u>
Reconciliation:										
Bank interest income									1,013	465
Corporate and other unallocated expenses									(1,824)	(3,281)
Finance costs									(223)	(1,524)
Profit/(loss) before income tax (continuing and discontinued operations)									<u>27,049</u>	<u>(12,046)</u>

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

	Six months ended 30 June									
	Continuing operations						Discontinued operation			
	New energy operation		Household paper products		Total		Cigarette packaging products		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
RMB'000	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)	(Unaudited)	
Depreciation of items of property, plant and equipment										
– Operating segments	9,125	9,203	-	-	9,125	9,203	-	1,243	9,125	10,446
– Amount unallocated									-	20
									<u>9,125</u>	<u>10,466</u>
Depreciation of investment property	-	-	-	-	-	-	-	131	-	131
Depreciation of right-of-use assets										
– Operating segments	639	637	-	-	639	637	-	163	639	800
– Amount unallocated									-	462
									<u>639</u>	<u>1,262</u>
Amortisation of computer software	-	-	5	-	5	-	-	2	5	2
Impairment of inventory	-	-	-	-	-	-	-	31,175	-	31,175
Capital expenditure*	834	2,188	-	-	834	2,188	-	6	834	2,194

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

Geographical information

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

Information about major customers

During the six months ended 30 June 2023, one (2022: 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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Continuing operations		
New Energy operation:		
Customer A	<u>93,337</u>	<u>85,181</u>
Discontinued operation		
Cigarette packing products segment:		
Customer B	<u>N/A</u>	<u>25,448</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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
Continuing operations		
Sale of goods	<u>175,261</u>	<u>138,207</u>
Discontinued operation		
Sale of goods	–	43,633
Processing service income	–	10,368
	<u>–</u>	<u>54,001</u>
	<u>175,261</u>	<u>192,208</u>

Notes:

(a) **Disaggregated revenue information**

Six months ended 30 June 2023

Segments	Continuing operations			Discontinued operation	
	New energy operation RMB'000 (Unaudited)	Household paper products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Cigarette packaging products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Type of goods or services					
Sale of cigarette packaging products:					
– Transfer metallised paper	-	-	-	-	-
– Laminated metallised paper	-	-	-	-	-
Processing service income	-	-	-	-	-
Sale of steam for industrial use, household heating and electricity supply	117,163	-	117,163	-	117,163
Sale of household paper products	-	58,098	58,098	-	58,098
Total revenue from contracts with customers	<u>117,163</u>	<u>58,098</u>	<u>175,261</u>	<u>-</u>	<u>175,261</u>
Timing of revenue recognition					
Goods transferred at a point in time	-	58,098	58,098	-	58,098
Goods transferred over time	117,163	-	117,163	-	117,163
Services transferred over time	-	-	-	-	-
Total revenue from contracts with customers	<u>117,163</u>	<u>58,098</u>	<u>175,261</u>	<u>-</u>	<u>175,261</u>

Geographical market

All revenue from contracts with customers were generated in China.

Seasonality of operations

The Group's new energy operation generally generates more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the steam generates heat energy which has high demand in spring and winter. As a result, the revenue from the steam business fluctuates during the year.

Six months ended 30 June 2022

Segments	Continuing operations			Discontinued operation	
	New energy operation <i>RMB'000</i> (Unaudited)	Household paper products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)	Cigarette packaging products <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Type of goods or services					
Sale of cigarette packaging products:					
– Transfer metallised paper	–	–	–	40,411	40,411
– Laminated metallised paper	–	–	–	3,222	3,222
	–	–	–	43,633	43,633
Processing service income	–	–	–	10,368	10,368
Sale of steam for industrial use, household heating and electricity supply	107,278	–	107,278	–	107,278
Sale of household paper products	–	30,929	30,929	–	30,929
Total revenue from contracts with customers	<u>107,278</u>	<u>30,929</u>	<u>138,207</u>	<u>54,001</u>	<u>192,208</u>
Timing of revenue recognition					
Goods transferred at a point in time	–	30,929	30,929	43,633	74,562
Goods transferred over time	107,278	–	107,278	–	107,278
Services transferred over time	–	–	–	10,368	10,368
Total revenue from contracts with customers	<u>107,278</u>	<u>30,929</u>	<u>138,207</u>	<u>54,001</u>	<u>192,208</u>

Geographical market

All revenue from contracts with customers were generated in China.

Seasonality of operations

The Group's new energy operation generally generates more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the steam generates heat energy which has high demand in spring and winter. As a result, the revenue from the steam business fluctuates during the year.

(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, household heating and electricity supply 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.

6 OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Bank interest income	1,013	284
Subsidy income	–	100
Government grants*	–	87
Others	92	17
	<hr/>	<hr/>
	1,105	488
	<hr/> <hr/>	<hr/> <hr/>

* The Group obtained government grants from China government supporting the Group's vocational skills training. There were no conditions to be fulfilled or contingencies related to these grants.

7 PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
Continuing operations		
Cost of inventories sold	131,709	82,631
Depreciation of items of property, plant and equipment	9,125	9,223
Less: Amount included in cost of inventories sold	(9,096)	(8,948)
	<u>29</u>	<u>275</u>
Depreciation of right-of-use assets	639	1,099
Less: Amount included in cost of inventories sold	–	–
	<u>639</u>	<u>1,099</u>
Amortisation of computer software	5	–
Lease payments not included in the measurement of lease liabilities	18	64
Employee benefit expense (including directors' remuneration):		
Salaries, bonus and benefits in kind	4,449	5,077
Defined contribution scheme contributions	177	186
	<u>4,626</u>	<u>5,263</u>
Less: Amount included in cost of inventories sold	(2,749)	(2,432)
	<u>1,877</u>	<u>2,831</u>

8 INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current – China		
Charge for the Period	10,219	11,099
Under-provision for the previous year	2,250	–
Income tax expense	<u>12,469</u>	<u>11,099</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group and its subsidiaries incorporated in the Cayman Islands and BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profit currently arising in Hong Kong for the Period (six months ended 30 Jun 2022: nil).

All subsidiaries of the Group operating in China are taxed in accordance with the Corporate Income Tax Law. There were two types of tax rates during the Period for the Group, including the 25% tax rate and the preferential tax rate policy for small and low-profit enterprises.

9 DISCONTINUED OPERATION

During the year ended 31 December 2022, the Group disposed of its 100% equity interest in Lucky Glorious Limited and its subsidiaries (collectively the “**Disposal Group**”). The Disposal Group engaged in the production and sale of metallised packaging paper and provision of related processing services for cigarette packing manufacturers. The Group decided to cease its cigarette packaging business in view of the structural reform of the tobacco market in China that may continue weakening the performance of the Group's cigarette packaging business. The disposal was completed on 14 October 2022 and consequently, the operation has been discontinued.

The results of Disposal Group for the relevant periods are presented below:

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue	–	54,001
Cost of sales	–	(52,793)
Gross profit	–	1,208
Other income and gains	–	1,140
Expenses*	–	(48,985)
Finance costs	–	(229)
Loss before income tax	–	(46,866)
Income tax expense	–	–
Loss for the period from discontinued operation	<u>–</u>	<u>(46,866)</u>

* Included in the expenses for the six month ended 30 June 2022 was written off of approximately RMB31,175,000. Such write off arose from the damage of inventories caused by flooding at the warehouse.

Loss before taxation has been arrived after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	–	1,243
Depreciation of investment property	–	131
Depreciation of right-of-use assets	–	163
	–	1,537

10 EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Earnings/(loss)		
Profit/(loss) for the period attributable to owners of the Company		
From continuing operations	16,717	25,409
From a discontinued operation	–	(46,866)
	16,717	(21,457)
Number of shares		
Weighted average number of ordinary shares	546,092,537	546,092,537
	2023	2022
	(Unaudited)	(Unaudited)
Earnings/(loss) per share from continuing and discontinued operations		
– Basic and diluted (<i>RMB cents per share</i>)	3.06	(3.93)
Earnings per share from continuing operations		
– Basic and diluted (<i>RMB cents per share</i>)	3.06	4.65

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the periods ended 30 June 2023 and 2022.

11 DIVIDENDS

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

12 TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	61,677	2,521
Less: Impairment	<u>(1,367)</u>	<u>(1,397)</u>
Trade receivables – net	60,310	1,124
Bills receivables	<u>–</u>	<u>493</u>
	<u>60,310</u>	<u>1,617</u>

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. 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 month	2,803	1,043
1 to 2 months	125	554
2 to 3 months	97	3
3 to 4 months	4,938	3
Over 4 months	<u>52,347</u>	<u>14</u>
	<u>60,310</u>	<u>1,617</u>

13 TRADE PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	21,516	16,513

Notes:

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

An ageing analysis of the trade payables of the Group as at the end of the reporting period, based on the invoice date, is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 month	11,438	4,892
1 to 2 months	14	1,502
2 to 3 months	–	14
Over 3 months	10,064	10,105
	21,516	16,513

MANAGEMENT DISCUSSION AND ANALYSIS

Champion Alliance International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is principally engaged in the (i) new energy operations which includes the production and sale of steam for industrial use, household heating and electricity supply; and (ii) sale of household paper products.

BUSINESS REVIEW

i. Steam for Industrial Use, Household Heating and Electricity Supply

During the reporting period, the Group’s 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, upgrade and tackle the long-existing heating supply problem in urban areas and industrial parks.

With the industrial and manufacturing activities returning to pre-pandemic level and favourable government policies to drive investment in this space, we witnessed an increasing application of combined heat and power, which subsequently boosted the investment in total installed generation capacity in the country. Furthermore, the government continued to push for the development of an investment in clean energy industry in order to achieve its “dual carbon” goals. These factors supported the increased application of combined heat and power (“**CHP**” or “**co-generation**”) in China during the reporting period.

During the reporting period, revenue of this segment was approximately RMB117.2 million, representing an increase of approximately 9.2% as compared to the corresponding period in 2022.

ii. Household Paper Products

The Group’s household paper products segment trades household paper products in China and has over 400 corporate customers, with sales network spanning across Heilongjiang, Jilin, Liaoning, Hebei, Henan, Shandong, Shaanxi, Jiangsu and Anhui Provinces, Beijing and Tianjin.

In the first half of 2023, as the threat of the pandemic was receding, China’s economic recovery showed a good momentum as the country’s GDP grew 5.5% year-on-year. However, the country also experienced a consumption-induced slowdown towards the end of the first half of 2023. While total retail sales of the country increased by 8.2% in the first six months of the year, the growth rate dropped from 18.4% in April and 12.7% in May to only 3.1% in June. Of which, sales of necessities declined by 2.2% in June, reflecting a softer demand for household staples, such as household paper products.

During the reporting period, revenue of this segment was approximately RMB58.1 million, representing an increase of approximately 87.8% as compared to the same period of 2022.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the total revenue was approximately RMB175.3 million, representing an increase of approximately RMB37.1 million over the total revenue of approximately RMB138.2 million for the corresponding period in 2022, such increase was because of the increase in the sale of new energy operation and household paper products.

The following table sets forth the breakdown of the Group's revenue for the six months ended 30 June 2023 and 2022:

	Six months ended 30 June		Change %
	2023 RMB'000	2022 RMB'000	
Steam for industrial use, household heating and electricity supply	117,163	107,278	9.2
Household paper products	58,098	30,929	87.8

i. Steam for Industrial Use, Household Heating and Electricity Supply Business

For the six months ended 30 June 2023, revenue of steam for industrial use, household heating and electricity supply business was approximately RMB117.2 million (six months ended 30 June 2022: RMB107.3 million), representing an increase of approximately 9.2% as compared with the corresponding period in 2022.

The Group's new energy operation generally generates more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the steam generates heat energy which has high demand in spring and winter. As a result, the revenue from the steam business fluctuates during the year.

ii. Household Paper Products Business

For the six months ended 30 June 2023, revenue of household paper products business was approximately RMB58.1 million (six months ended 30 June 2022: RMB30.9 million), representing an increase of approximately 87.8% as compared with the corresponding period in 2022.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased from approximately RMB44.2 million for the six months ended 30 June 2022 to approximately RMB31.7 million for the six months ended 30 June 2023. Gross profit margin decreased from approximately 32.0% for the six months ended 30 June 2022 to approximately 18.1% for the six months ended 30 June 2023.

Other Income and Gains

For the six months ended 30 June 2023, the Group's other income and gains mainly consisted of bank interest income and other income. The other income and gains increased by 126.4% to approximately RMB1.1 million for the six months ended 30 June 2023, from approximately RMB0.5 million for the six months ended 30 June 2022. The increase was mainly due to the increase in bank interest income 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, and (iii) other expenses. The Group's selling and distribution expenses decreased by approximately 47.2% from approximately RMB1.7 million for the six months ended 30 June 2022 to approximately RMB0.9 million for the six months ended 30 June 2023. The decrease in selling and distribution expenses was mainly due to the decrease in transportation cost.

Administrative Expenses

For the six months ended 30 June 2023, administrative expenses mainly consisted of (i) staff costs, (ii) entertainment expenses, (iii) office expenses and (iv) legal and professional fee. Administrative expenses decreased from approximately RMB6.9 million for the six months ended 30 June 2022 to approximately RMB4.7 million for the six months ended 30 June 2023. The decrease in administrative expenses of the Group was mainly due to the decrease of staff costs and repair and maintenance 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 RMB0.2 million for the reporting period (for the six months ended 30 June 2022: RMB1.3 million). The decrease was mainly attributable to the decrease in interest expenses from a loan offered by an independent third party.

Income Tax Expense

The Group's income tax expense was approximately RMB12.5 million for the six months ended 30 June 2023. The Group's income tax expense was approximately RMB11.1 million in the corresponding period of 2022.

Loss/Profit Attributable to Owners of the Company

For the six months ended 30 June 2023, the Group's profit attributable to owners of the Company was approximately RMB16.7 million. Profit attributable to owners of the Company for the six months ended 30 June 2022 was approximately RMB25.4 million.

LIQUIDITY AND FINANCIAL RESOURCES

Net Current Assets

The Group recorded net current assets of approximately RMB147.5 million as at 30 June 2023, while the net current assets as at 31 December 2022 was approximately RMB150.8 million.

Borrowings and Gearing Ratio

The total borrowings of the Group as at 30 June 2023 were approximately RMB15.4 million (as at 31 December 2022: RMB14.8 million). The Group's gearing ratio is at approximately 11.8% as at 31 December 2022, which is similar to approximately 11.7% as at 30 June 2023. Gearing ratio was calculated by dividing total debt (which mainly consisted of other borrowings and amount due to a former shareholder of a subsidiary) by total equity as at the dates indicated and multiplied by 100%.

Capital Expenditure

During the six months ended 30 June 2023, the Group's total capital expenditure amounted to approximately RMB0.8 million, which was mainly used in plant and machinery and motor vehicles (six months ended 30 June 2022: RMB2.2 million).

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 2023, there had been no change in the number of issued shares in the Company.

Charge on Assets

As at 30 June 2023, the Group did not have any charge on assets (as at 31 December 2022: nil).

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 5 January 2023, the Company, through its four subsidiaries, entered into the agreements with the Issuer, a state-owned asset management company in China, to subscribe for the Financial Product for a maximum aggregate subscription amount of RMB242.2 million during the period from 5 January 2023 to 15 April 2023. Between 14 January 2023 and 28 March 2023, the Company, through its four subsidiaries, subscribed for and redeemed the Financial Product from time to time for an aggregate principal amount of approximately RMB199.0 million. Further details are disclosed in the announcement of the Company dated 30 June 2023.

Save as disclosed above, the Group had no other material acquisition, disposal and significant investment of subsidiaries, associates and joint ventures during the reporting period.

Contingent Liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities (as at 31 December 2022: 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 2023 (six months ended 30 June 2022: nil).

Human Resources and Remuneration

As at 30 June 2023, the Group employed 143 employees (as at 31 December 2022: 146) with total staff costs of approximately RMB4.6 million incurred for the same period (for the six months ended 30 June 2022: approximately RMB5.3 million). The decrease in staff costs of the Group was mainly due to the decrease in number of staff and salary adjustments. 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 2023 (six months ended 30 June 2022: 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 2023, 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	Expected timeline		
			amount utilised from the Listing Date up to 30 June 2023 RMB'000	Balance as at 30 June 2023 RMB'000	for the remaining use of net proceeds (Note)	
				For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 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 2023, unutilised proceeds amounted to approximately HK\$26 million (equivalent to approximately RMB24 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 China. 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 2023.

Capital Commitments

	As at 30 June 2023 RMB'000	As at 31 December 2022 RMB'000
Commitments for the acquisition of:		
– Property, plant and equipment	<u>528</u>	<u>1,028</u>

FUTURE OUTLOOK

The prolonged outbreaks of COVID-19 pandemic in various regions of China has caused disruptions to economic and industrial activities to different extent, dragging down business performance in various industries. However, in order to cope with the economic headwind and pandemic disruptions, the Group has swiftly adjusted its strategies and took measures to minimize the impact of daily operations, while continuing to explore potential opportunities to expand its operations to wider geographies in China.

Looking ahead, the Group remains confident in the long-term development of China's economy and its operations in the post-pandemic era. Furthermore, the Chinese government being adamant to revitalize the domestic economy through a series of fiscal and monetary support, as the target of “around 5% growth in GDP” was announced in 2022, the Group is confident that the wide range of tools the government promised will continue to boost consumer spending, thus potentially boosting the demand for staple consumer goods, such as household paper products.

On the other hand, as China is determined in achieving its “dual-carbon goals”, the Group will remain prudent and keep abreast of market changes to refine business strategies to capture these opportunities, in order to catalyse sustainable growth for the Group.

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

Save as disclosed in this announcement, there were no important events affecting the Group after the end of financial period.

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.

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 2023 is expected to be despatched to the shareholders of the Company on or before Saturday, 30 September 2023 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, 31 August 2023

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