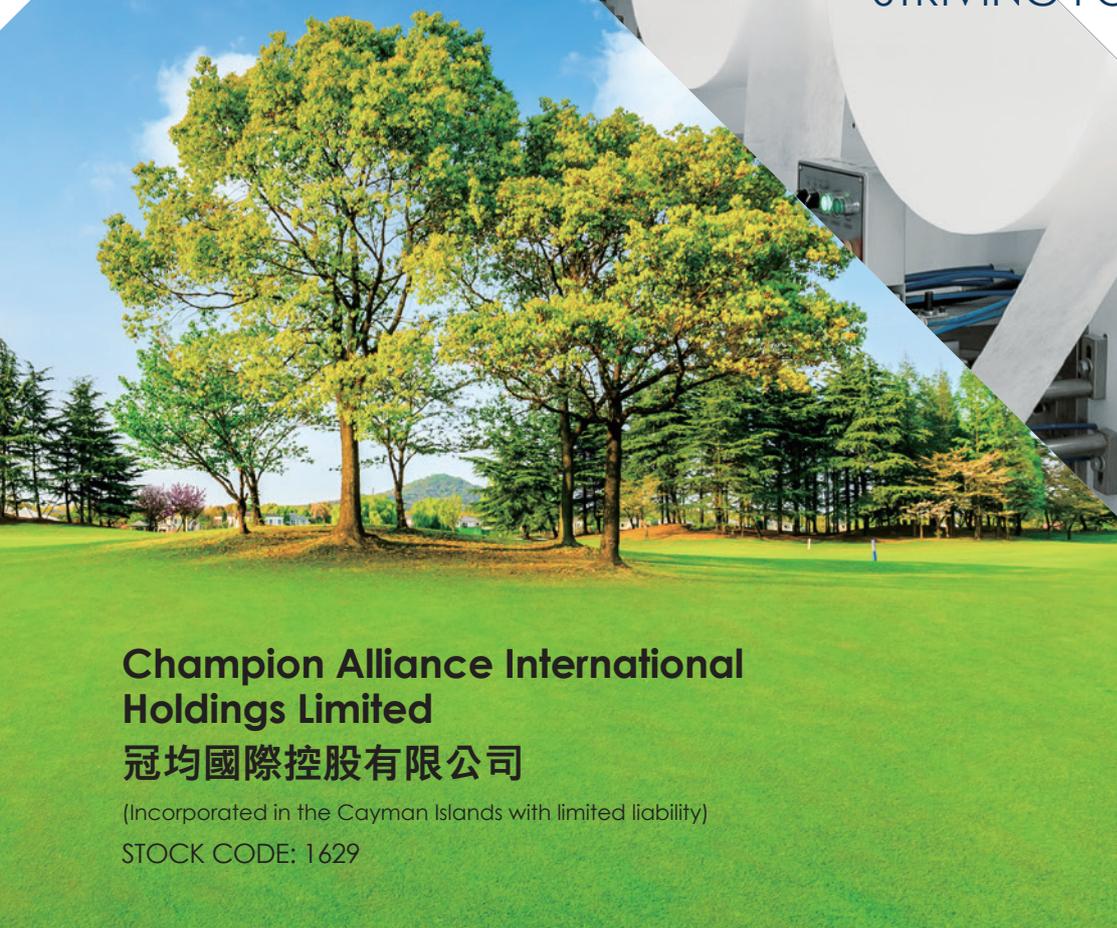




LEADING IN
INNOVATION
STRIVING FOR **EXCELLENCE**

2023 INTERIM
REPORT



**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

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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*)

Mr. Zhang Shihua (*Executive Director*)

Ms. Chen Xiaoyan

(Executive Director, retired on 28 June 2023)

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

Third 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

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

Company's website

www.championshipintl.com

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

Company secretary

Ms. Leung Mei King

Authorised representatives

Mr. Chen Shuming

Ms. Leung Mei King

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

Hong Kong branch share registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal bankers

China Merchants Bank
Bank of China Limited

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
Certified Public Accountants
Registered Public Interest Entity Auditor
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 (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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	2022	
	RMB'000	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 product 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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:

Use of net proceeds from the Listing	Adjusted use of net proceeds in the manner and proportion as stated in the Prospectus RMB'000	Approximate % of total actual net proceeds	Actual amount utilised from the Listing Date up to 30 June 2023 RMB'000	Balance as at 30 June 2023 RMB'000	Expected timeline 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
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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Future Plans for Material Investments or Capital Assets

Save for the business plan disclosed in the Prospectus or in this report, there is no other plan for material investments or capital assets as at 30 June 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	528	1,028

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.

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 2023, 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	64.09%

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 2023, 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 2023, 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 2023, 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	64.09%
Ms. Chen Xiuchun	Interest of spouse (Note 2)	350,000,000	64.09%
CM Asset Management (Hong Kong) Company Limited	Investment manager	45,704,000	8.37%
Shareholder Value Fund	Beneficial owner	45,704,000	8.37%

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 2023, 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 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 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:

Ms. Chen Xiaoyan has retired as an executive Director with effect from 28 June 2023 upon the conclusion of the annual general meeting. Details of the changes of information on the Director, are set out in the Company’s announcement dated 28 June 2023.

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 D3.3 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 2023 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

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

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

Hong Kong, 31 August 2023

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

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
Continuing operations			
Revenue	5	175,261	138,207
Cost of sales		(143,554)	(94,011)
Gross profit		31,707	44,196
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)
PROFIT BEFORE INCOME TAX	7	27,049	34,820
Income tax expense	8	(12,469)	(11,099)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		14,580	23,721
Discontinued operation			
Loss for the period from a discontinued operation	9	–	(46,866)
PROFIT/(LOSS) FOR THE PERIOD		14,580	(23,145)
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)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		13,937	(26,098)
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)
Non-controlling interests		(2,137)	(1,688)
		14,580	(23,145)

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

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the Company			
From continuing operations		16,074	22,456
From a discontinued operation		–	(46,866)
		16,074	(24,410)
Non-controlling interests		(2,137)	(1,688)
		13,937	(26,098)
EARNINGS/(LOSS) PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS			
– Basic and diluted (RMB cents per share)	10	3.06	(3.93)
EARNINGS PER SHARE FROM CONTINUING OPERATIONS			
– Basic and diluted (RMB cents per share)	10	3.06	4.65

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	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
Total non-current assets		227,171	236,106
CURRENT ASSETS			
Inventories		63,433	47,643
Trade and bills receivables	13	60,310	1,617
Prepayments, deposits and other receivables		11,339	4,052
Income tax recoverable		7	–
Cash and cash equivalents	14	81,853	160,885
Total current assets		216,942	214,197
CURRENT LIABILITIES			
Trade payables	15	21,516	16,513
Other payables and accruals		44,290	41,270
Income tax payable		3,070	5,110
Deferred government grants		524	524
Total current liabilities		69,400	63,417
NET CURRENT ASSETS		147,542	150,780
TOTAL ASSETS LESS CURRENT LIABILITIES		374,713	386,886

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	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		23,044	23,044
Total non-current liabilities		38,898	65,008
NET ASSETS			
EQUITY			
Share capital	16	4,838	4,838
Reserves		245,040	228,966
Equity attributable to owners of the Company		249,878	233,804
Non-controlling interests		85,937	88,074
TOTAL EQUITY		335,815	321,878

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non- controlling interests	Total equity
	Share capital	Share premium account	Merger reserve	Exchange fluctuation reserve	PRC statutory reserve	Retained profits	Total		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2023	4,838	160,113	56,341	(889)	5,427	7,974	233,804	88,074	321,878
Profit/(loss) for the period	-	-	-	-	-	16,717	16,717	(2,137)	14,580
Other comprehensive expense for the period:									
- Exchange differences on translation of the Company's financial statements into its presentation currency	-	-	-	(643)	-	-	(643)	-	(643)
Total comprehensive (expense)/income for the period	-	-	-	(643)	-	16,717	16,074	(2,137)	13,937
At 30 June 2023	4,838	160,113	56,341	(1,532)	5,427	24,691	249,878	85,937	335,815
At 1 January 2022	4,838	160,113	23,803	4,121	13,024	39,797	245,696	94,425	340,121
Loss for the period	-	-	-	-	-	(21,457)	(21,457)	(1,688)	(23,145)
Other comprehensive expense for the period:									
- Exchange differences on translation of the Company's financial statements into its presentation currency	-	-	-	(2,953)	-	-	(2,953)	-	(2,953)
Total comprehensive expense for the period	-	-	-	(2,953)	-	(21,457)	(24,410)	(1,688)	(26,098)
At 30 June 2022	4,838	160,113	23,803	1,168	13,024	18,340	221,286	92,737	314,023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
Cash flows from operating activities			
Profit before income tax expense from continuing operations		27,049	34,820
Loss before income tax from a discontinued operation		–	(46,866)
		27,049	(12,046)
Adjustments for:			
Bank interest income	6	(1,013)	(465)
Subsidy income	6	–	(100)
Finance costs		223	1,524
Depreciation of property, plant and equipment	12	9,125	10,466
Depreciation of investment property		–	131
Depreciation of right-of-use assets		639	1,262
Amortisation of computer software		5	2
Gain on disposal of property, plant and equipment		–	(2)
Impairment of inventory		–	31,175
		36,028	31,947
Cash flows before working capital changes		36,028	31,947
Increase in inventories		(15,790)	(77,083)
(Increase)/decrease in trade and bills receivables		(58,693)	48,406
(Increase)/decrease in prepayments, deposits and other receivables		(7,287)	7,480
Increase/(decrease) in trade and bills payables		5,003	(28,187)
Decrease in other payables and accruals		(23,994)	(28,424)
Exchange alignments		(74)	(719)
		(64,807)	(46,580)
Cash used in operations		(64,807)	(46,580)
Income tax paid		(14,516)	(17,738)
		(79,323)	(64,318)
Net cash used in operating activities			
Cash flows from investing activities			
Purchases of property, plant and equipment		(834)	(2,194)
Proceeds from disposal of property, plant and equipment		–	76
Interest received		1,013	465
		179	(1,653)
Net cash generated from/(used in) investing activities		179	(1,653)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
Cash flows from financing activities		
Repayment of bank loans	–	(1,000)
Interest paid	–	(228)
Decrease in restricted cash	–	13,006
Principal portion of lease payments	–	(401)
Net cash generated from financing activities	–	11,377
Net decrease in cash and cash equivalents	(79,144)	(54,594)
Cash and cash equivalents at beginning of the period	160,885	149,796
Effect of exchange rate changes on cash and cash equivalents	112	86
Cash and cash equivalents at end of the period	81,853	95,288

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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Adoption of amended HKFRSs – effective on 1 January 2023 *(Continued)*

- (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.

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 following reportable operating segments:

- the new energy operation segment engages in the production and sale of steam for industrial use, household heating and electricity supply in China;
- the household paper products segment trades household paper products; and
- 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	117,163	107,278	58,098	30,929	175,261	138,207	-	54,001	175,261	192,208
Segments results	16,515	32,212	11,568	6,900	28,083	39,112	-	(46,818)	28,083	(7,706)
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)									27,049	(12,046)

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

	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
									9,125	10,466
Depreciation of investment property	-	-	-	-	-	-	-	131	-	131
Depreciation of right-of-use assets										
– Operating segments	639	637	-	-	639	637	-	163	639	800
– Amount unallocated									-	462
									639	1,262
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 OPERATING SEGMENT INFORMATION *(Continued)*

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	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
New Energy operation:		
Customer A	93,337	85,181
Discontinued operation		
Cigarette packing products segment:		
Customer B	N/A	25,448

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	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Re-presented)
Continuing operations		
Sale of goods		
	175,261	138,207
Discontinued operation		
Sale of goods		
	–	43,633
Processing service income		
	–	10,368
	–	54,001
	175,261	192,208

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE (Continued)

Notes:

(a) Disaggregated revenue information

Six months ended 30 June 2023

Segments	Continuing operations			Discontinued operation	Total
	New energy operation	Household paper products	Total	Cigarette packaging products	
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Type of goods or services					
Sale of cigarette packaging products:					
– Transfer metallised paper	–	–	–	–	–
– Laminated metallised paper	–	–	–	–	–
<hr/>					
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
<hr/>					
Total revenue from contracts with customers	117,163	58,098	175,261	–	175,261
<hr/>					
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	–	–	–	–	–
<hr/>					
Total revenue from contracts with customers	117,163	58,098	175,261	–	175,261

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE (Continued)

Notes: (Continued)

(a) Disaggregated revenue information (Continued)

Six months ended 30 June 2022

Segments	Continuing operations			Discontinued operation	Total
	New energy operation	Household paper products	Total	Cigarette packaging products	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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
Processing service income	–	–	–	43,633	43,633
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	107,278	30,929	138,207	54,001	192,208
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	107,278	30,929	138,207	54,001	192,208

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.

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Re-presented)
Continuing operations		
Bank interest income	1,013	284
Subsidy income	–	100
Government grants*	–	87
Others	92	17
	1,105	488

* 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)
	29	275
Depreciation of right-of-use assets	639	1,099
Less: Amount included in cost of inventories sold	–	–
	639	1,099
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
	4,626	5,263
Less: Amount included in cost of inventories sold	(2,749)	(2,432)
	1,877	2,831

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

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 June 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 DISCONTINUED OPERATION *(Continued)*

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

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

* 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 month 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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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)
	2023	2022
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	546,092,537	546,092,537
	2023	2022
	(Unaudited)	(Unaudited)
		(Re-presented)
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).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12 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)	Construction in progress RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Six months ended 30 June 2023						
At 1 January 2023:						
Cost	64,566	143,204	280	53	7,184	215,287
Accumulated depreciation	(3,510)	(17,841)	(121)	(14)	-	(21,486)
Net carrying amount	61,056	125,363	159	39	7,184	193,801
Net carrying amount:						
At 1 January 2023	61,056	125,363	159	39	7,184	193,801
Additions	9	16	-	287	-	312
Depreciation provided during the period	(465)	(8,580)	(45)	(35)	-	(9,125)
Transfer	-	5,926	-	-	(5,926)	-
At 30 June 2023	60,600	122,725	114	291	1,258	184,988
At 30 June 2023:						
Cost	64,575	149,146	280	340	1,258	215,599
Accumulated depreciation	(3,975)	(26,421)	(166)	(49)	-	(30,611)
Net carrying amount	60,600	122,725	114	291	1,258	184,988
Six months ended 30 June 2022						
At 1 January 2022:						
Cost	94,401	157,614	2,767	3,521	8,000	266,303
Accumulated depreciation	(14,838)	(16,963)	(2,328)	(1,857)	-	(35,986)
Net carrying amount	79,563	140,651	439	1,664	8,000	230,317
Net carrying amount:						
At 1 January 2022	79,563	140,651	439	1,664	8,000	230,317
Additions	-	1,178	6	-	2,285	3,469
Disposals	-	(73)	(1)	-	-	(74)
Depreciation provided during the period	(2,540)	(7,728)	(107)	(91)	-	(10,466)
Transfer	2,462	639	-	-	(3,101)	-
Exchange adjustment	-	-	6	-	-	6
At 30 June 2022	79,485	134,667	343	1,573	7,184	223,252
At 30 June 2022:						
Cost	96,863	159,180	2,758	3,521	7,184	269,506
Accumulated depreciation	(17,378)	(24,513)	(2,415)	(1,948)	-	(46,254)
Net carrying amount	79,485	134,667	343	1,573	7,184	223,252

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13 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	(1,367)	(1,397)
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Trade receivables – net	60,310	1,124
Bills receivables	–	493
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	60,310	1,617

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	52,347	14
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	60,310	1,617

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash and bank balances	81,853	160,885

Notes:

- (a) At 30 June 2023, the cash and bank balances of the Group denominated in RMB amounted to RMB79,231,000 (31 December 2022: RMB156,758,000). The RMB is not freely convertible into other currencies, however, under 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.

15 TRADE PAYABLES

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

Note:

- (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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 SHARE CAPITAL

	As at 30 June 2023		As at 31 December 2022	
	HK\$'000 (Unaudited)	RMB'000 equivalent	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:				
546,092,537 ordinary shares of HK\$0.01 each	5,461	4,838	5,461	4,838

17 RELATED PARTY TRANSACTIONS

(a) Key management compensations

Key management compensations for the period are as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Salaries, wages, bonuses, welfare and other benefits	800	1,012
Contributions to pension plans	8	8
	808	1,020

(b) Balances with related parties

	Note	As at	As at
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Amount due to a former shareholder of a subsidiary	(i)	23,948	23,336
Less: Non-current portion		–	(23,336)
Current portion		23,948	–

Note:

- (i) The amount due to a former shareholder of a subsidiary is unsecured, interest-free and the former shareholder has agreed not to demand repayment of such amount up to 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 CONTINGENT LIABILITIES

As at 31 December 2022 and 30 June 2023, the Group did not have any significant contingent liabilities.

19 CAPITAL COMMITMENTS

The Group had the following capital commitments at end of the Period:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Commitments for the acquisition of:		
– Property, plant and equipment	528	1,028

20 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

21 FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 30 June 2023 and 31 December 2022 are classified as financial assets and liabilities at amortised cost, respectively.

22 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 31 August 2023.