



華章科技控股有限公司
Huazhang Technology Holding Limited

(Incorporated in Cayman Islands with limited liability)

Stock code : 1673

2 0 2 1
INTERIM REPORT

CORPORATE INFORMATION

DIRECTORS

Executive directors

Mr. Zhu Gen Rong (*Chairman*)
Mr. Wang Ai Yan (*Chief Executive Officer*)
Mr. LIU Chuan Jiang
Mr. Jin Hao

Independent non-executive directors

Mr. Dai Tian Zhu
Mr. Kong Chi Mo
Mr. Heng, Keith Kai Neng

AUDIT COMMITTEE

Mr. Kong Chi Mo (*Chairman*)
Mr. Dai Tian Zhu
Mr. Heng, Keith Kai Neng

REMUNERATION COMMITTEE

Mr. Heng, Keith Kai Neng (*Chairman*)
Mr. Kong Chi Mo
Mr. Dai Tian Zhu

NOMINATION COMMITTEE

Mr. Dai Tian Zhu (*Chairman*)
Mr. Zhu Gen Rong
Mr. Kong Chi Mo
Mr. Heng, Keith Kai Neng

COMPANY SECRETARY

Mr. Chan So Kuen

COMPLIANCE OFFICER

Mr. Jin Hao

CORPORATE INFORMATION *(Continued)*

AUTHORIZED REPRESENTATIVES

Mr. Zhu Gen Rong
Mr. Chan So Kuen

LEGAL ADVISOR

As to Hong Kong Law
Stevenson, Wong & Co.

AUDITORS

PricewaterhouseCoopers

REGISTERED ADDRESS

Cricket Square Hutchins Drive PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN PRC

Room 1101, Block 2
Canal Advertising Industry Building
99 Xiangyuan Road, Gongshu District
Hangzhou City
Zhejiang Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 805A, 8/F
Tower 1, South Seas Centre
75 Mody Road, Tsim Sha Tsui
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square Hutchins Drive PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

CORPORATE INFORMATION *(Continued)*

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1673

WEBSITE

www.hzeg.com

FINANCIAL HIGHLIGHTS

	For the six months ended 31 December		
	2020	2019	Change
	RMB	RMB	%
Revenue	292,730,691	237,130,960	23.4
Gross profit	59,141,122	56,537,885	4.6
<i>Gross profit margin</i>	20.2%	23.8%	(3.6)
Profit/(loss) for the period	18,292,867	(35,785,017)	151.1
<i>Net profit/(loss) margin</i>	6.2%	(15.1)%	21.3
Profit/(loss) attributable to owners of the parent	18,563,277	(36,364,900)	151.0
Earnings/(losses) per share attributable to the ordinary equity holders of the parent (RMB cents per share)			
– basic	2.53	(4.96)	
– diluted	2.53	(4.96)	

The Board resolved not to declare any interim dividend for the six months ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Huazhang Technology Holding Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2020, together with the unaudited comparative figures for the corresponding period in 2019.

INDUSTRY REVIEW

China’s economy and all sectors have suffered from the significant influences brought by the sudden outbreak of the COVID-19 pandemic in the first half of 2020. However, leveraging on the supportive policies and the effective control on the pandemic by the Chinese government, China’s economy has rapidly recovered in the second half of 2020. China’s gross domestic product (GDP) grew from 3.2% in the second quarter of 2020 to 6.5% in the fourth quarter of 2020, and China’s economy has recovered to pre-pandemic levels. According to the data from the National Bureau of Statistics, the national production volume of machine-made papers and cardboards in 2020 was 127.0 million tonnes, representing an increase of 1.48% over the same period last year. This showed an increasing trend for two consecutive years after the decrease recorded in 2018.

In January 2020, the National Development and Reform Commission and the Ministry of Ecology and Environment promulgated the Opinions on Further Strengthening the Treatment of Plastic Pollution (《關於進一步加強塑料污染治理的意見》). China would prohibit and limit the production, sales and use of certain plastic products by the end of 2020, and there will be a significant reduction in the consumption of disposable plastic products by the end of 2022, thereby promoting the application of alternative products. In the second half of 2020, regions including Shanghai, Zhejiang, Jiangsu, Yunnan, and Guizhou have promulgated the relevant proposal requirements on strengthening the treatment of plastic pollution, which, among others, gradually limited or even prohibited the use of certain disposable plastic items. It is a favourable policy to the paper manufacturing industry. Paper packaging materials become the best option to replace certain limited plastic products for their regenerable, degradable and recyclable raw materials, sufficient production capacity, convenient usage, and low price. This will expand the scale of paper manufacturing enterprises and increase the investments in the production capacity and the research and development of paper packaging materials.

In November 2020, in order to consistently implement the new version of the Law on the Prevention and Control of Environmental Pollution by Solid Wastes (《固體廢物污染環境防治法》), which was effective from 1 September, the four ministries and commissions including the Ministry of Ecology and Environment jointly promulgated the Announcement on Matters Concerning Comprehensively Prohibiting the Import of Solid Wastes (《關於全

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

面禁止進口固體廢物有關事項的公告》)。The announcement came into force on 1 January 2021, requiring China to prohibit the import of solid wastes by any means and the dumping, storage and disposal of imported solid wastes within the territory of China. The prohibition on the import of waste paper will strike a hard blow at the structure of raw materials in the paper manufacturing industry, which forces paper manufacturing enterprises to expand the construction of large-scale pulp and paper-making production lines to achieve self-containment.

BUSINESS REVIEW

For the six months ended 31 December 2020, the Group benefited from the recovery of the paper manufacturing industry and recorded an increase in revenue and gross profit by approximately 23.4% to RMB292.7 million and approximately 4.6% to RMB59.1 million as compared to the same period last year, respectively. For the six months ended 31 December 2020, the Group recorded a profit of approximately RMB18.3 million as compared to the loss of approximately RMB35.8 million over the same period last year.

Newly Signed Contracts

The value of the Group's newly signed contracts grew by approximately 26.8% (as compared to the same period last year) from approximately RMB200.1 million for the six months ended 31 December 2019 to approximately RMB253.8 million for the six months ended 31 December 2020. Such growth was mainly attributable to (i) the recovery of the paper manufacturing industry that procured paper manufacturing enterprises to increase capital contribution and undergo equipment renovation, and (ii) the establishment of the precision manufacturing department by the Group in July 2019, which is a new business driver of the Group during the period.

The primary purpose for the establishment of the precision manufacturing department of the Group is to proactively respond to the national policy on the digitalization of industrial manufacturing, namely the "Industry 4.0" Program, by utilizing the advantage of intelligent control and big data, taking intelligent manufacturing as the core to develop advanced pulp and paper-making equipment with electromechanical integration technology, and replacing imported products with our self-developed products.

After the efforts made over the past year, the value of the department's newly signed contracts increased by approximately RMB15.6 million from approximately RMB1.7 million for the six months ended 31 December 2019 to approximately RMB17.3 million for the six months ended 31 December 2020, and the growth rate was encouraging. Its core products, being conical refiners and pulpers with high efficiency and low energy consumption, combine the technological characteristics of high integration, high efficiency, intelligence, and low

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

consumption in one. Such products have been highly recognized in the product market, with rapidly increasing market shares, which further solidified the leading position of our Group in the domestic paper-making industry in terms of intelligent manufacturing. The Group is currently developing products related to pulp and paper-making equipment, such as series of products (including paper-cutting machines with high speed and high-precision synchronization) that are in great demand in the market, and expects to launch such products on the market in the first half of 2021. The products mainly focus on the post-processing procedure of various paper types, such as printing and writing paper and duplex board.

Research and Development

In September 2020, the paper manufacturing equipment research institute of the Group was recommended by the Ministry of Science and Technology and evaluated and recognized by the Zhejiang Provincial Department of Science and Technology as an enterprise research institute at the provincial level in January 2021, namely Zhejiang Huazhang Technology Paper Manufacturing Equipment Research Institute (浙江省華章科技造紙裝備研究院). The research institute is mainly committed to the upgrade of industrialized technology of the traditional paper manufacturing industry and the development of environmental equipment with high efficiency and energy conservation for the paper manufacturing industry in order to achieve the localization of automatic equipment. Capitalizing on the rapid development capabilities of the research institute in terms of systematicity, professionalism, and practicality, the Group will continuously enhance the competitiveness of its core products and increase its market share in the industry in a moderate manner, which will promote the development of our peers in China and collectively push forward the economic development of the traditional paper manufacturing industry.

In addition, in December 2020, Mr. Zhu Gen Rong, the chairman of the Group, was awarded “the Fourth Cailun Technology Award (第四屆蔡倫科技獎)” by China Technical Association of Paper Industry. The “Cailun Award” was created by China Technical Association of Paper Industry to recognize technology scholars who have made outstanding contributions to science and technology innovation and technology advancement in the paper manufacturing industry in China.

Overseas

In November 2020, the Group participated, together with other Chinese suppliers of paper manufacturing equipment, in the commercial operation of the PM23 project, one of the four production lines for 5600/900 wrapping paper machines in the paper production bases in Selangor, Malaysia, invested by a Hong Kong-listed paper manufacturing enterprise. The Group provided the drive control systems of paper machines and rewinders and the DCS/MCS control system for the four production lines. The success of the project further

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

demonstrated the capability of China's paper manufacturing machines to maintain a presence in the international paper manufacturing equipment market for their advancement, practicality, and cost performance.

As at 31 December 2020, most of the Group's turnkey projects in Vietnam have been completed and are expected to duly commence in the second quarter of 2021. The overseas projects supplied by the Group commenced, which will definitely provide more references to promote China's equipment manufacturing industry abroad and participate in international competitions.

FUTURE PROSPECTS

2021 represents the first year of China's 14th Five-Year Plan when the paper manufacturing industry will also present new layouts and characteristics, including equipment with better energy conservation and higher efficiency, green and sustainable development, etc. Adhering to the principles of "Integrating Together, Creating Together, Benefiting Together", the Group will ride on the wind and waves and forge ahead on the way of innovation while making more efforts in scientific research to catch up with the future development of the industry.

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 23.4% from approximately RMB237.1 million for the six months ended 31 December 2019 to approximately RMB292.7 million for the six months ended 31 December 2020, primarily attributing to the recovery of the paper industry after the impact of the COVID-19 pandemic in the 1st half of 2020. However, the gross profit margin decreased from approximately 23.8% for the six months ended 31 December 2019 to approximately 20.2% for the six months ended 31 December 2020.

(i) Industrial products

Revenue from sales of industrial products increased significantly by approximately 101.6% from approximately RMB53.8 million for the six months ended 31 December 2019 to approximately RMB108.4 million for the six months ended 31 December 2020. Such increase was primarily attributable to recovery of the paper industry and increase in demand on headbox equipment. The sales of industrial automation systems and headbox business increased by approximately RMB29.4 million to approximately RMB58.6 million and approximately RMB25.2 million to approximately RMB49.8 million, respectively, for the six months ended 31 December 2020 as compared with for the six months ended 31 December 2019. However, the gross profit margin of

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

industrial products decreased from approximately 34.3% for the six months ended 31 December 2019 to approximately 27.2% for the six months ended 31 December 2020, primarily attributing to decrease in gross profit margin of headbox business.

(ii) *Project contracting services*

Revenue from project contracting services increased by approximately 29.2% from approximately RMB119.1 million for the six months ended 31 December 2019 to approximately RMB153.8 million for the six months ended 31 December 2020. Such increase was mainly due to the installation work of contracting projects in Vietnam was started since the 2nd quarter of 2020 and most of installation works were completed in the 2nd half of 2020. The gross profit margins of project contracting services were maintained at 16.2% and 17.5% for the six months ended 31 December 2020 and 2019, respectively.

(iii) *Environmental business*

Revenue from sales of environmental business decreased significantly by approximately 58.3% from approximately RMB34.8 million for the six months ended 31 December 2019 to approximately RMB14.5 million for the six months ended 31 December 2020. Such decrease was primarily due to a decrease in demand in sludge treatment products and wastewater treatment business as the market competition was keen. The gross profit margin of environmental business also decreased from approximately 30.2% for the six months ended 31 December 2019 to approximately 24.5% for the six months ended 31 December 2020.

(iv) *Supporting services*

Revenue from the provision of supporting services decreased significantly by approximately 45.6% from approximately RMB29.5 million for the six months ended 31 December 2019 to approximately RMB16.0 million for the six months ended 31 December 2020. The revenue from the provision of support services decreased significantly mainly due to a decrease in demand on the supporting services for the six months ended 31 December 2020. The gross profit margin for the provision of supporting services decreased from approximately 22.7% for the six months ended 31 December 2019 to approximately 7.8% for the six months ended 31 December 2020, primarily attributing to a decrease in profits of after-sale service which cannot offset the loss generated from supply-chain business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Selling and distribution expenses

The selling and distribution expenses were stable at approximately RMB6.5 million and RMB6.4 million for the six months ended 31 December 2019 and 2020, respectively, accounting for approximately 2.7% and approximately 2.2% of the Group's revenue for the six months ended 31 December 2019 and 2020, respectively.

Administrative expenses

The administrative expenses decreased by approximately 30.6% from approximately RMB32.8 million for the six months ended 31 December 2019 to approximately RMB22.8 million for the six months ended 31 December 2020, accounting for approximately 13.8% and approximately 7.8% of the Group's revenue for the six months ended 31 December 2019 and 2020 respectively. Decrease in administrative expenses is mainly attributable to (i) a decrease in traveling expenses as business trips were not encouraged after the COVID-19 and (ii) a decrease in expenditures of approximately RMB6.5 million in relation to the preparation work of the waste recycling and treatment projects for the six months ended 31 December 2020 as compared with the respective period in 2019.

Research and development expenses

The research and development expenses increased by approximately 12.8% from approximately RMB11.3 million for the six months ended 31 December 2019 to approximately RMB12.8 million for the six months ended 31 December 2020, accounting for approximately 4.8% and approximately 4.4% of the Group's revenue for the six months ended 31 December 2019 and 2020 respectively. The Group has continued to invest in research and development activities about the internet of things and the next generation of the headboxes, the Group aimed to improve and enhance the technology and quality of the paper equipment to international standards.

Net impairment losses on financial and contract assets

Net impairment losses on financial and contract assets decreased significantly by approximately 99.5% from approximately RMB48.7 million for the six months ended 31 December 2019 to approximately RMB0.3 million for the six months ended 31 December 2020. For the six months ended 31 December 2019, the Group made impairment on financial assets of several customers amounting to approximately RMB47.6 million, due to these customers have difficulties, such as suspension of the projects or liquidities issues, since the second half of 2018. As a result, the customers cannot repay the receivables timely in such economic environment. For the six months ended 31 December 2020, the situation of these customers did not have any change, therefore, the Group did not make further impairment and considered that the impairment provision was sufficient as at 31 December

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

2020. The Group still continue to work with the financing lease companies in a joint effort for collection. The Group holds on-going discussion with those customers with regard to collection. The Group is also considering further engaging legal counsels to enforce the judgment, if a cost-efficient arrangement with legal counsels can be reached.

Other income and gains/(losses), net

Other income and gains/(losses), net increased by approximately 24.7% from approximately RMB13.3 million for the six months ended 31 December 2019 to approximately RMB16.5 million for the six months ended 31 December 2020, primarily attributing to a debt relief of RMB4.1 million was recorded for the six months ended 31 December 2020 as the Group received a notice that a customer was bankrupted, so the advanced made by this customer's subsidiary for purchase of equipment was relieved and the Group received the bankruptcy liquidation fund, which had been previously written off as uncollectible trade receivable, while no such transaction for the six months ended 31 December 2019.

Finance costs – net

The finance costs – net increased significantly by approximately 167.3% from RMB4.2 million for the six months ended 31 December 2019 to approximately RMB11.2 million for the six months ended 31 December 2020, primarily attributing to a payment of upfront commitment fee amounting to approximately RMB1.7 million in relation to issuance of a new convertible bond in December 2020 and an exchange loss of approximately RMB3.2 million as the contracting project in Vietnam were settled in USD which increased the bank deposits in US dollar at as 31 December 2020 and generated the unrealized exchange loss.

Income tax expense

The income tax expense increased significantly by approximately 95.2% from approximately RMB2.1 million for the six months ended 31 December 2019 to approximately RMB4.0 million for the six months ended 31 December 2020. The increase was mainly attributable to the Group recorded operating profits for the six months ended 31 December 2020 as operating loss was recorded for the year six months ended 31 December 2019.

The effective tax rates of the Group changed from approximately -6.1% for the six months ended 31 December 2019 to approximately 18.0% for the six months ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Profit/(loss) for the period and net profit/(loss) margin

As a result of the foregoing, the Group recorded a profit for the period of approximately RMB18.3 million for the six months ended 31 December 2020 as compared with the loss for the period as of approximately RMB35.8 million for the six months ended 31 December 2019. The net margin was improved from net loss margin of 15.1% for the six months ended 31 December 2019 to net profit margin of 6.2% for the six months ended 31 December 2020.

Profit/(loss) for the period attributable to owners of the parent

As a result of the foregoing, the Group recorded a profit for the period attributable to owners of the parent of approximately RMB18.6 million for the six months ended 31 December 2020 as compared with a loss for the period attributable to owners of the parent of approximately RMB36.4 million for the six months ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group was principally financed by internal resources, bank loans as well as financing from the capital market. As at 31 December 2020, the Group had cash and cash equivalent balance amounting to approximately RMB39.7 million (30 June 2020: approximately RMB40.4 million) and interest-bearing loans and long-term loans amounting to approximately RMB74.2 million and RMB36.0 million, respectively (30 June 2020: RMB107.2 million and nil).

Convertible Bonds

On 29 March 2017, the Company issued old convertible bonds in principal amount of HK\$100.0 million (equivalent to approximately RMB88.8 million) (“Old Convertible Bonds”), the bond was expired on 28 September 2020 and replaced by issuance of a convertible bond on 1 December 2020.

Pursuant to the bond subscription agreement, the Old Convertible Bonds are:

- (a) convertible at the option of the bond holders into ordinary shares of the Company at HK\$2.50 (subject to adjustment) at any time on or after 29 April 2017 up to the close of business on the 30th day prior to the maturity date; and
- (b) the maturity date is 29 March 2019 and it is subject to the Company’s discretion to extend one additional year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

The net proceeds from the Old Convertible Bonds amounted to approximately HK\$99.5 million (the "Net Proceeds"). As at 30 June 2018, the Net Proceeds, after deducting all relevant costs and expenses, had been fully utilised as to approximately HK\$79.6 million for the Group's new intergraded solution projects and as to approximately HK\$19.9 million for the Group's general working capital, respectively.

On 25 March 2019, the Company received a notice from the investor requesting to extend the maturity date of the Old Convertible Bonds for 6 months after the maturity date, i.e., to 29 September 2019 under the same terms and conditions of the Convertible Bonds. On 21 May 2019, the first extension has been approved by extraordinary general meeting in the form of an ordinary resolution.

On 29 September 2019, the Company executed a supplemental deed to further extend the maturity date of the Old Convertible Bonds to 28 September 2020 under the same terms and conditions of the Old Convertible Bonds and Old Convertible Bonds holder has an option to extend the maturity date for one additional year. On 20 December 2019, the second extension has been approved at the extraordinary general meeting in the form of an ordinary resolution. For more details, please refer to the related announcements of the Company dated 29 September 2019 and the related circular of the Company dated 3 December 2019.

On 1 December 2020, the Company issued a another convertible bonds in principal amount of HK\$100.0 million (equivalent to approximately RMB85.0 million) ("New Convertible Bonds").

Given the current environment, it was difficult for the Company to raise the necessary financing to repay the amount due under the Old Convertible bonds. The net proceeds from the issue have been used to repay the Old Convertible bonds and the Old Convertible Bond have been settled as at 31 December 2020.

The initial conversion price under the subscription agreement of HK\$0.71, represents (i) the closing price of HK\$0.71 per share as quoted on the Hong Kong Stock Exchange on the last trading day, and (ii) the average closing price of HK\$0.71 per Share as quoted on the Hong Kong Stock Exchange for the five trading days up to and including 30 November 2020 (being the last trading day immediately prior to the date of the subscription agreement).

The New Convertible Bond can be convertible into 140,845,070 (with a nominal value of HK\$1,408,450) new ordinary shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Pursuant to the bond subscription agreement, the New Convertible Bonds are:

- (a) convertible at the option of the bond holders into ordinary shares of the Company at HK\$0.71 (subject to adjustment) at any time on or after 1 March 2021 up to the close of business on the 30th day prior to the maturity date; and
- (b) the maturity date is 30 November 2021 and unless previously converted or cancelled, after 1 June 2021, the Bondholders shall have the option to request for the redemption by the Issuer of the Bonds by serving onto the Issuer a prior written notice of not less than two weeks from the intended date of early redemption of the Bonds.

Creation Best International Limited ("Creation") is the investor of New Convertible Bond and Mr. Fang Hui is the ultimate beneficial owner of Creation.

For more details, please refer to the related announcements of the Company dated 1 and 28 December 2020.

No convertible bonds has been converted into ordinary shares during the period.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held and disposals during the six months ended 31 December 2020.

Borrowings and charges of assets

As at 31 December 2020, the Group's interest-bearing loans and long-term loans were approximately RMB74.2 million and RMB36.0 million (30 June 2020: RMB107.2 million and nil), respectively, which will be repayable within 1 year and within 3 years, respectively. Such loans were all denominated in RMB, and bear an interest range of 4.69% to 7.2% per annum (30 June 2020: all denominated in RMB, and bear an interest range of 3.75% to 7.2% per annum).

As at 31 December 2020, the New Convertible Bonds was approximately RMB79.3 million (30 June 2020: RMB91.2 million) which will mature on 30 November 2021 and the interest is at 12.0% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

As at 31 December 2020, the banking facilities granted by the banks were secured by property, plant and equipment, investment properties and prepaid land lease payments of the Group amounting to approximately RMB60.8 million and RMB107.0 million and RMB76.2 million respectively (30 June 2020: approximately RMB63.1 million and RMB110.0 million and RMB77.1 million respectively).

Trade and other receivables

Trade and bills receivables decreased by approximately RMB91.8 million from approximately RMB563.7 million as at 30 June 2020 to approximately RMB471.9 million as at 31 December 2020, primarily due to most of customers settled the receivables in accordance with the contract terms for the six months ended 31 December 2020 as the paper industry is recovering. The provision for impairment of trade receivables was decreased by approximately RMB1.2 million to approximately RMB100.1 million for the six months ended 31 December 2020. The Group will strengthen customer credit risk management to guard against the increase in bad debt provision, and will take legal action if necessary.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liabilities.

FOREIGN CURRENCY RISK

The Group's transactions are mainly denominated in Renminbi, United States Dollars, and Hong Kong Dollars. The exchange rate changes of such currencies were monitored regularly and managed appropriately. The Group will enter into foreign currency forward contracts to manage and reduce the risk involved in the net position in each foreign currency, if necessary.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 307 employees (30 June 2020: 296 employees), including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 31 December 2020 were approximately RMB24.3 million, as comparable to approximately RMB29.9 million for the six months ended 31 December 2019. The remuneration of employees is determined based on job nature and market conditions, combined with increment on performance appraisal and year-end bonus which are designed to stimulate and award employee's individual performance. During the period, the Group continued its commitment to employees' training and development programme.

DISCLOSURE OF INTEREST

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the “SFO”)) which will have to be notified to the Company and the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under Divisions 7 and 9 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) required to be notified to the Company and the Stock Exchange, are as follows:

Long positions in the shares

Name of director	Company/name of associated company	Natural of interest	Number of securities	Share Options	Approximate percentage of shareholding
Mr. Zhu Gen Rong	The Company	Interest of a controlled corporation	312,120,000 shares (Note 1)	–	42.59%
		Beneficial owner	2,044,000 shares (Note 2)		0.28%
		Interest of people acting in concert	368,000 shares (Note 1)		0.05%
Mr. Wang Ai Yan (Note 4)	Florescent Holdings Limited	Interest of a controlled corporation	7,790 shares (Note 3)		77.90%
	Lian Shun Limited	Beneficial interest	5,705,500 shares (Note 4)		61.31%
	The Company	Interest of a controlled corporation	312,120,000 shares (Note 5)	–	42.59%
Beneficial owner		368,000 shares (Note 6)		0.05%	
Interest of people acting in concert		2,044,000 shares (Note 5)		0.28%	
The Company	Florescent Holdings Limited	Interest of a controlled corporation	7,790 shares (Note 3)		77.90%
	Lian Shun Limited	Beneficial interest	1,930,000 shares (Note 4)		20.74%

DISCLOSURE OF INTEREST *(Continued)*

Name of director	Company/name of associated company	Natural of interest	Number of securities	Share Options	Approximate percentage of shareholding
Mr. Liu Chuan Jiang <i>(Note 4)</i>	The Company	Interest of a controlled corporation	312,120,000 shares <i>(Note 7)</i>	–	42.59%
		Interest of people acting in concert	2,044,000 shares <i>(Note 7)</i>		0.28%
			368,000 shares <i>(Note 7)</i>		0.05%
	Florescent Holdings Limited	Interest of a controlled corporation	7,790 shares <i>(Note 3)</i>		77.90%
	Lian Shun Limited	Beneficial interest	1,670,000 shares <i>(Note 4)</i>		17.95%
M. Jin Hao	–	Beneficial interest	–	450,000	0.06%

Notes:

- The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 61.31% by Mr. Zhu Gen Rong. Mr. Zhu is deemed to be interested in the Shares held by Florescent Holdings Limited. He is also deemed to be interested in the Shares held in the personal name of Mr. Wang Ai Yan.
- The 2,044,000 shares which Mr. Zhu Gen Rong is interested in as beneficial owner.
- Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited and as to 22.10% by Qunyu Limited.
- Lian Shun Limited is owned as to 61.31% by Mr. Zhu Gen Rong, as to 20.74% by Mr. Wang Ai Yan and as to 17.95% by Mr. Liu Chuan Jiang.
- The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 20.74% by Mr. Wang Ai Yan. Mr. Wang is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong under the Takeovers Code and is deemed to be interested in the Shares held by Florescent Holdings Limited. He is also deemed to be interested in 2,044,000 shares held in the personal name of Mr. Zhu Gen Rong.
- The 368,000 shares which Mr. Wang Ai Yan is interested in as beneficial owner.
- The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 17.95% by Mr. Liu Chuan Jiang. Mr. Liu is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong and Mr. Wang Ai Yan under the Takeovers Code and is deemed to be interested in the Shares held by Florescent Holdings Limited. He is also deemed to be interested in 2,044,000 shares and 368,000 shares held in the personal name of Mr. Zhu Gen Rong and Mr. Wang Ai Yan, respectively.

DISCLOSURE OF INTEREST *(Continued)*

Save as disclosed above, as at 31 December 2020, none of the Directors of the Company had any interest or short position 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) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 31 December 2020, so far as the Directors are aware, the interests and short positions owned by the following persons or institutions (other than the Directors and chief executive of the Company) in the shares and underlying shares of the Company which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under section 336 of the SFO are as follows:

DISCLOSURE OF INTEREST *(Continued)*

Long positions in the shares

Name of Substantial Shareholders	Capacity/Natural of interest	Number of Shares directly or indirectly held	Approximate percentage of shareholding
Florescent Holdings Limited	Beneficial owner	312,120,000	42.59%
Lian Shun Limited	Interest of a controlled corporation	312,120,000 <i>(Note 1)</i>	42.59%
Mr. Zhu Gen Rong	Interest of a controlled corporation/Beneficial owner, person acting in concert	314,532,000 <i>(Note 2)</i>	42.92%
Mr. Wang Ai Yan	Interest of a controlled corporation/Beneficial owner, person acting in concert	314,532,000 <i>(Note 3)</i>	42.92%
Mr. Liu Chuan Jiang	Interest of a controlled corporation/person acting in concert	314,532,000 <i>(Note 4)</i>	42.92%
Ms. Zhu Ling Yun	Person acting in concert	314,532,000 <i>(Note 5)</i>	42.92%
Shi Chenghu	Beneficial owner	86,232,000	11.77%
Mr. Fang Hui	Interest of a controlled corporation	47,440,000 <i>(Note 6)</i>	6.47%
Creation Best International Limited	Beneficial owner	40,000,000 <i>(Note 6)</i>	5.46%
Li Chao Wang	Interest of a controlled corporation	60,335,294 <i>(Note 7)</i>	8.23%
Rosy Ease Limited	Interest of a controlled corporation	60,335,294 <i>(Note 7)</i>	8.23%
Swift Fortune Holdings Limited	Beneficial owner	60,335,294 <i>(Note 7)</i>	8.23%
Gain Channel Limited	Interest of a controlled corporation	60,335,294 <i>(Note 7)</i>	8.23%
Song Min	Interest of spouse	60,335,294 <i>(Note 8)</i>	8.23%
F & L Holding (HK) Limited	Contract of transfer	170,000,000 <i>(Note 9)</i>	23.20%
Wealthy Land Investments Group Limited	having a security interest in shares	411,872,000	56.20%

Notes:

- The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited. Under the SFO, Lian Shun Limited is deemed to be interested in the shares held by Florescent Holdings Limited.

DISCLOSURE OF INTEREST *(Continued)*

2. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 61.31% by Mr. Zhu Gen Rong. Under the SFO, Mr. Zhu is deemed to be interested in the shares held by Florescent Holdings Limited and include 2,044,000 shares which Mr. Zhu is interested in as beneficial owner and include 368,000 shares which Mr. Wang is interested in as beneficial owner.
3. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 20.74% by Mr. Wang Ai Yan. Mr. Wang is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong under the Takeovers Code and is therefore deemed to be interested in the shares held by Florescent Holdings Limited and Mr. Zhu.
4. Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 17.95% by Mr. Liu Chuan Jiang. Mr. Liu is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong under the Takeovers Code and is therefore deemed to be interested in the shares held by Florescent Holdings Limited, held by Mr. Zhu and Mr. Wang Ai Yan.
5. Mr. Zhu, Mr. Wang, Mr. Liu and Ms. Zhu will continue to be deemed to be interested in the Shares held by each of the other parties under SFO.
6. These 47,440,000 Shares consist of 40,000,000 Shares in which Creation Best International Limited is interested and 7,440,000 Shares in which Mr. Fang Hui is interested. Creation Best International Limited is owned as to 100.00% by Mr. Fang Hui. Under the SFO, Mr. Fang is deemed to be interested in the shares held by Creation Best International Limited.
7. Swift Fortune Holdings Limited is owned as to 100.00% by Rosy Ease Limited, a wholly owned subsidiary of Gain Channel Limited, which in turn is owned as to 74.21% by Mr. Li Chao Wang. Under SFO, Mr. Li is deemed to be interested in the shares held by Swift Fortune Holdings Limited.
8. Ms. Song Min is the wife of Mr. Li Chao Wang and is deemed to be interested in the Shares which are interested in by Mr. Li Chao Wang under the SFO.
9. According to a framework agreement dated 11 January 2019, Florescent Holdings Limited has agreed to transfer 170,000,000 shares to F&L Holding (HK) Limited at nil consideration in the future for the purpose of the establishment of a share award scheme.

DISCLOSURE OF INTEREST *(Continued)*

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the shares or underlying shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which are required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the six months ended 31 December 2020 and up to the date of this report, none of the Directors or any of their respective associates, had engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 31 December 2020, the Company repurchased 962,000 of its ordinary shares on the Stock Exchange in July, September and October 2020, respectively, at an aggregate amount of approximately HK\$1.7 million, representing approximately 0.13% of the total number of issued shares of the Company.

Month of repurchases	Number of Shares purchased on the Stock Exchange	Price paid per Share		Aggregate consideration paid
		Highest	Lowest	
		HK\$	HK\$	HK\$
2020				
July	698,000	2.20	1.84	1,402,635
September	206,000	1.22	1.03	235,090
October	58,000	1.37	1.32	77,601
	<u>962,000</u>			<u>1,715,326</u>

The Directors believe that repurchases of shares are in the best interests of the Company and its shareholders and that such repurchases of shares would lead to an enhancement of the earnings per share.

Such shares have been cancelled on 10 September 2020 and 17 November 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2020.

OTHER INFORMATION *(Continued)*

Use of Proceeds from the Listing by way of Placing

From the listing date to 31 December 2020, the proceeds from the listing by way of placing were used as follows:

	Use of proceeds in the same manner and proportion as shown in the prospectus from the listing date to 31 December 2019 <i>RMB'000</i>	Actual use of proceeds from the listing date to 31 December 2020 <i>RMB'000</i>	Unused proceeds <i>RMB'000</i>	Expected timeline of full utiligate of the balance
Increase production capacity	23,521	18,299	5,222	2021
Cost saving construction	15,709	–	15,709	2021
Continuous product development and innovation	5,208	5,208	–	
Increase market awareness and image of the Group	3,385	2,057	1,328	2021
Improve the current information management system	260	260	–	
	48,083	25,824	22,259	

The reasons of change the expected timeline of full utiligate of the balance

Affected by the COVID-19 pandemic, the Group needs to review and reconsider the next steps. As the result, the Group will postpone the expected timeline of full utiligate of the balance from 2020 to the end of 2021.

OTHER INFORMATION (Continued)

The unused net proceeds have been placed as interest bearing deposits with licensed bank in Hong Kong and the PRC.

The Directors will constantly evaluate the business targets of the Group and adjust their plans according to the ever-changing market conditions, so as to ensure the growth of Group's business.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") on 6 May 2013 and effective on the 16 May 2013.

During the period under review, no option has been granted.

As at 15 January 2019, a total of 19,000,000 share options have been granted to a Director and certain employees of the Group under the Share Option Scheme. The following table discloses the share options granted under the Share Option Scheme during the period:–

Name or category of participant	At 1 July 2020	Number of share options				At 31 December 2020
		Granted during the period	Exercised during the period	Lapsed/ expired during the period	Cancelled/ forfeited during the period	
Executive directors:						
Jin Hao	450,000	-	-	-	-	450,000
Other Employees	18,550,000	-	-	-	-	18,550,000
In aggregate	19,000,000	-	-	-	-	19,000,000

During the period under review, there has been no movement of options granted under the Share Option Scheme.

The share options were granted under the Share Option Scheme on 15 January 2019. The exercise price of the options granted under the Share Option Scheme was HK\$4.04.

OTHER INFORMATION *(Continued)*

The directors have estimated the values of the share options granted during the year ended 30 June 2019, calculated using the binomial lattice model as at the date of grant of the options:

Grantee	Number of options granted during the year	Theoretical value of share options <i>RMB'000</i>
Jin Hao	450,000	872
Other Employees	18,550,000	31,248
	19,000,000	32,120

The binomial lattice model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options were risk-free rate of interest, dividend yield, volatility, exercise multiple and forfeiture rate. The measurement dates used in the valuation calculations were the dates on which the options were granted as follow:

Share price (HK\$)	4.04
Exercise price (HK\$)	4.04
Expected volatility (%)	39.81
Expected dividend yield (%)	0.74
Risk-free interest rate (%)	2.04

The expected volatility is based on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. The expected dividends are based on historical dividends. The risk-free interest rate is based on the yield of Hong Kong Exchange Fund Notes with a maturity life equal to the life of the share option.

OTHER INFORMATION *(Continued)*

Validity period of the Share Options:

The Share Options shall be vested and are exercisable in the following manners:

A. 9,000,000 Share Options

- (1) 3,000,000 Share Options to be vested from 15 January 2020 to 14 January 2021 (both dates inclusive) and are exercisable from 15 January 2021 to 14 January 2031 (both dates inclusive);
- (2) 3,000,000 Share Options to be vested from 15 January 2021 to 14 January 2022 (both dates inclusive) and are exercisable from 15 January 2022 to 14 January 2032 (both dates inclusive);
- (3) 3,000,000 Share Options to be vested from 15 January 2022 to 14 January 2023 (both dates inclusive) and are exercisable from 15 January 2023 to 14 January 2033 (both dates inclusive); and

B. 10,000,000 Share Options

10,000,000 Share Options to be vested from 15 January 2020 to 14 January 2023 (both dates inclusive) and are exercisable within 10 years commencing from the date of vesting;

provided always that the Grantee shall remain as a Director, or an employee of the Group at the time of the exercise of the Share Options and satisfy certain performance criteria.

The closing price of the shares immediately before the date on which the options were granted was HK\$3.76 per share.

If all such share options is exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.53% as at 31 December 2020.

During the period under review, there has been no movement of options granted under the Share Option Scheme.

The details of the grant of share options such as exercise periods are disclosed in the announcement of the Company dated on 15 January 2019 and this report.

As at the date of this report, no share option is exercised, cancelled or lapsed.

OTHER INFORMATION *(Continued)*

INFORMATION ABOUT CONTROLLING SHAREHOLDER

The Company was informed by Florescent Holdings Limited (the “Florescent”), a controlling shareholder of the Company, that a company filed a winding up petition dated 28 December 2020 against Florescent in the High Court of the Hong Kong Special Administrative Region. Details of which are disclosed in the announcement dated 10 January 2021.

SHARE AWARD SCHEME

The Company conditionally adopted the share award scheme (the “Share Award Scheme”) on 11 January 2019. The purposes of the Share Award Scheme are to attract talents who might be able to assist in the development of the waste recycling and treatment project. Florescent Holdings Limited and the Company entered into an agreement setting out, amongst others, the conditions and other terms in relation to the gift over the gift shares (consisting of 170 million Shares) at nil consideration to the trustee of the Share Award Scheme to be established by the Company.

More details and the principal terms of the Share Award Scheme are disclosed in the announcement of the Company dated on 11 January 2019. A framework agreement relating to the Share Award Scheme has been terminated. Details of which have been disclosed in the announcements dated 26 May 2020 and 1 September 2020.

As at the date of this report, no share award is granted and exercised.

CORPORATE GOVERNANCE PRACTICES

The Board is pleased to report compliance with the 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 of Hong Kong Limited (“the Listing Rules”) for the six months ended 31 December 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code for the six months ended 31 December 2020 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

OTHER INFORMATION *(Continued)*

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: Nil).

AUDIT COMMITTEE

The audit committee was established on 6 May 2013. The audit committee consists of three independent non-executive Directors namely, Mr. Kong Chi Mo, Mr. Dai Tian Zhu and Mr. Heng, Keith Kai Neng. The audit committee is chaired by Mr. Kong Chi Mo.

The audit committee of the Company has discussed with the management about the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial statements for the six months ended 31 December 2020.

By order of the Board
Huazhang Technology Holding Limited
Zhu Gen Rong
Chairman

Zhejiang Province, the PRC, 26 February 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 31 December	
		2020 Unaudited RMB	2019 Unaudited RMB
	Notes		
Revenue	6	292,730,691	237,130,960
Cost of sales		(233,589,569)	(180,593,075)
Gross profit		59,141,122	56,537,885
Selling and distribution expenses		(6,382,508)	(6,482,552)
Administrative expenses		(22,755,155)	(32,793,003)
Research and development expenses		(12,797,889)	(11,345,246)
Net impairment losses on financial and contract assets		(253,739)	(48,718,154)
Other income and gains/(losses), net	7	16,538,783	13,257,759
Operating profit/(loss)		33,490,614	(29,543,311)
Finance income		256,798	221,095
Finance costs		(11,431,283)	(4,401,178)
Finance costs – net	9	(11,174,485)	(4,180,083)
Profit/(loss) before income tax	8	22,316,129	(33,723,394)
Income tax expense	10	(4,023,262)	(2,061,623)
Profit/(loss) for the period		18,292,867	(35,785,017)
Profit/(loss) is attributable to:			
– Owners of the parent		18,563,277	(36,364,900)
– Non-controlling interests		(270,410)	579,883
		18,292,867	(35,785,017)
Earnings/(losses) per share attributable to the ordinary equity holders of the parent			
– Basic earnings/(losses) per share	12	2.53	(4.96)
– Diluted earnings/(losses) per share	12	2.53	(4.96)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
Notes	2020 Unaudited RMB	2019 Unaudited RMB
Profit/(loss) for the period	18,292,867	(35,785,017)
Other comprehensive income/(loss) <i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	8,055,025	(1,460,964)
Other comprehensive income/(loss) for the period, net of tax	8,055,025	(1,460,964)
Total comprehensive income/(loss) for the period	26,347,892	(37,245,981)
Total comprehensive income/(loss) for the period is attributable to:		
– Owners of the parent	26,618,302	(37,825,864)
– Non-controlling interests	(270,410)	579,883
	26,347,892	(37,245,981)

The notes on pages 35 to 74 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 December 2020 Unaudited RMB	30 June 2020 Audited RMB
	<i>Notes</i>		
ASSETS			
Non-current assets			
Property, plant and equipment	13	76,510,029	79,483,658
Investment properties	15	106,998,286	109,975,507
Prepaid land lease payments	16(i)	76,231,931	77,087,727
Right-of-use assets	14	4,598,833	5,303,580
Goodwill	17	39,934,884	39,934,884
Other intangible assets	16(ii)	11,382,400	12,664,279
Deferred tax assets		14,373,965	14,318,685
Trade and other receivables	19(i)	66,517,010	125,321,393
Prepayments	19(iii)	176,313	182,843
Total non-current assets		396,723,651	464,272,556
Current assets			
Inventories	18	156,341,376	113,679,076
Trade and other receivables	19(i)	491,361,043	529,419,356
Prepayments	19(iii)	123,320,624	135,171,764
Financial assets at fair value through other comprehensive income ("FVOCI")		44,405,413	50,049,740
Pledged deposits	20	61,122,958	28,602,729
Contract assets	19(ii)	21,170,159	11,035,234
Cash and cash equivalents	20	39,747,039	40,394,804
Total current assets		937,468,612	908,352,703
Total assets		1,334,192,263	1,372,625,259
LIABILITIES			
Non-current liabilities			
Interest-bearing loans	22	36,000,000	–
Deferred tax liabilities		5,763,708	6,110,739
Deferred income	23	23,512,500	24,187,500
Lease liabilities	14	3,448,267	4,038,619
Total non-current liabilities		68,724,475	34,336,858

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

		31 December 2020 Unaudited RMB	30 June 2020 Audited RMB
	<i>Notes</i>		
Current liabilities			
Trade and other payables	21	322,711,014	354,215,675
Contract liabilities		181,149,397	206,393,720
Interest-bearing loans	22	74,215,700	107,208,500
Income tax payable		5,316,592	7,048,968
Lease liabilities	14	1,185,387	1,201,155
Convertible bonds	24	79,329,629	91,245,279
Total current liabilities		663,907,719	767,313,297
Total liabilities		732,632,194	801,650,155
Net assets		601,560,069	570,975,104
EQUITY			
Share capital	25	6,195,323	6,203,955
Share premium	25	508,173,594	509,708,723
Equity component of convertible bonds	24	6,199,604	35,161,248
Other reserves	26	105,187,221	61,516,759
Accumulated deficits		(23,456,722)	(41,147,040)
Capital and reserves attributable to the owners of the parent		602,299,020	571,443,645
Non-controlling interests		(738,951)	(468,541)
Total equity		601,560,069	570,975,104

The notes on pages 35 to 74 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the parent							
	Share capital Unaudited RMB	Share premium Unaudited RMB	Equity component of convertible bonds Unaudited RMB	Other reserves Unaudited RMB	Retained earnings/ (accumulated deficits) Unaudited RMB	Total Unaudited RMB	Non- controlling interests Unaudited RMB	Total equity Unaudited RMB
Balance at 30 June 2020	6,203,955	509,708,723	35,161,248	61,516,759	(41,147,040)	571,443,645	(468,541)	570,975,104
Profit/(loss) for the period	-	-	-	-	18,563,277	18,563,277	(270,410)	18,292,867
Other comprehensive income	-	-	-	8,055,025	-	8,055,025	-	8,055,025
Total comprehensive income/ (loss) for the period	-	-	-	8,055,025	18,563,277	26,618,302	(270,410)	26,347,892
Settlement of old convertible bonds (Note 24)	-	-	(35,161,248)	35,161,248	-	-	-	-
Issuance of new convertible bonds (Note 24)	-	-	6,199,604	-	-	6,199,604	-	6,199,604
Shares repurchased (Note 25)	(8,632)	(1,535,129)	-	-	-	(1,543,761)	-	(1,543,761)
Employee share option (Note 26)	-	-	-	(418,770)	-	(418,770)	-	(418,770)
Profit appropriation to statutory reserves	-	-	-	872,959	(872,959)	-	-	-
	(8,632)	(1,535,129)	(28,961,644)	35,615,437	(872,959)	4,237,073	-	4,237,073
Balance at 31 December 2020	6,195,323	508,173,594	6,199,604	105,187,221	(23,456,722)	602,299,020	(738,951)	601,560,069
Balance at 30 June 2019	6,203,955	509,708,723	23,609,589	78,411,838	37,422,220	655,356,325	(782,964)	654,573,361
(Loss)/profit for the period	-	-	-	-	(36,364,900)	(36,364,900)	579,883	(35,785,017)
Other comprehensive income/(loss)	-	-	380,818	(1,841,782)	-	(1,460,964)	-	(1,460,964)
Total comprehensive income/ (loss) for the period	-	-	380,818	(1,841,782)	(36,364,900)	(37,825,864)	579,883	(37,245,981)
Extinguishment of convertible bonds (Note 24)	-	-	11,170,841	(11,170,841)	-	-	-	-
Employee share option (Note 26)	-	-	-	71,586	-	71,586	-	71,586
Profit appropriation to statutory reserves	-	-	-	1,518,454	(1,518,454)	-	-	-
	-	-	11,170,841	(9,580,801)	(1,518,454)	71,586	-	71,586
Balance at 31 December 2019	6,203,955	509,708,723	35,161,248	66,989,255	(461,134)	617,602,047	(203,081)	617,398,966

The notes on pages 35 to 74 are an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 31 December	
		2020 Unaudited RMB	2019 Unaudited RMB
	<i>Notes</i>		
Cash flows from operating activities			
Cash generated from/(used in) operations		24,157,429	(4,789,746)
Income tax paid		(6,157,949)	(6,838,227)
Net cash inflow/(outflow) from operating activities		17,999,480	(11,627,973)
Cash flows from investing activities			
Purchase of property, plant and equipment		(921,350)	(4,952,810)
Proceeds from disposals of property, plant and equipment		1,389	12,200
Purchase of other intangible assets		-	(64,102)
Interest received		256,798	155,055
Net cash outflow from investing activities		(663,163)	(4,849,657)
Cash flows from financing activities			
Proceeds from interest – bearing loans	22	46,000,000	33,030,000
Repayment of interest – bearing loans	22	(43,000,000)	(15,013,000)
Proceeds from interest – free loan from a related party	28	-	6,000,000
Repayment of interest – free loan from a related party	28	(5,418,480)	-
Repayments of interest – free loans from third parties		(4,470,000)	-
Interest paid		(7,988,449)	(3,488,881)
Principal elements of lease payments		(606,120)	(816,542)
Net cash (outflow)/inflow from financing activities		(15,483,049)	19,711,577
Net increase in cash and cash equivalents		1,853,268	3,233,947
Cash and cash equivalents at beginning of the period	20	40,394,804	24,196,754
Effect of exchange rate changes on cash and cash equivalent		(2,501,033)	(53,156)
Cash and cash equivalents at end of the period		39,747,039	27,377,545

The notes on pages 35 to 74 are an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER

1 General information

Huazhang Technology Holding Limited (the “Company”) was incorporated on 26 June 2012 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the research and development, manufacture and sale of industrial products, project contracting services, environmental products and the provision of supporting services in the People’s Republic of China (the “PRC”).

These condensed consolidated interim financial statements are presented in Renminbi Yuan (“RMB”), unless otherwise stated. These condensed consolidated interim financial statements were approved and authorised for issue by the Company’s Board of Directors (the “Board”) on 26 February 2021.

These condensed consolidated interim financial statements have not been audited.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 31 December 2020 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) except for the adoption of new and amended standards as disclosed in Note 3.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

3 Significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2020, as described in those annual financial statements.

3.1 *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendments)	Definition of a Business
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform
HKFRS 16 (Amendments)	COVID-19 – related Rent Concessions

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

3 Significant accounting policies (Continued)

3.2 New standards, amendments and interpretations not yet adopted by the Group

Certain new accounting standards, amendments and interpretations to existing standards have been published that are not mandatory for the financial year beginning 1 July 2020 and relevant to the Group and have not been early adopted by the Group.

Standards, amendments and interpretations	Key requirements	Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint venture	To be determined
Annual Improvements to HKFRS Standards 2018-2020		1 January 2022

The Directors are in the process of assessing the possible impact on the future adoption of the new and revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

4 Estimate

The preparation of condensed consolidated interim financial statements require 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 these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 June 2020.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focus on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2020.

There have been no significant changes in any risk management policies since the last year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

6 Segment information

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

- industrial products;
- project contracting services;
- environmental products; and
- supporting services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 common administrative expenses, other income and gains/(losses), net, finance costs – net and income tax expense are excluded from such measurement.

Segment assets include all assets of the Group except deferred tax assets, pledged deposits, cash and cash equivalents, right-of-use assets, certain prepayments and investment properties, as these assets are managed on a group basis.

Segment liabilities include all liabilities of the Group except convertible bonds, income tax payable, lease liabilities and certain other payables, as these liabilities are managed on a group basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

6 Segment information (Continued)*The segment results for the six months ended 31 December 2020:*

	Unaudited				
	Industrial products <i>RMB</i>	Project contracting services <i>RMB</i>	Environmental products <i>RMB</i>	Supporting services <i>RMB</i>	Total <i>RMB</i>
Segment revenue from external customers	108,376,733	153,801,260	14,510,281	16,042,417	292,730,691
Timing of revenue recognition					
At a point in time	108,376,733	–	2,727,671	12,249,398	123,353,802
Over time	–	153,801,260	11,782,610	3,793,019	169,376,889
Segment cost of sales	(78,946,843)	(128,903,053)	(10,956,223)	(14,783,450)	(233,589,569)
Segment gross profit	29,429,890	24,898,207	3,554,058	1,258,967	59,141,122
Segment results	17,598,276	8,669,008	262,702	(2,560,924)	23,969,062
Common administrative expenses					(7,017,231)
Other income and gains/(losses), net					16,538,783
Finance costs – net					(11,174,485)
Profit before income tax					22,316,129
Income tax expense					(4,023,262)
Profit for the period					18,292,867

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

6 Segment information (Continued)

Other segment information:

	Unaudited					Total RMB
	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	
Capital expenditure	35,516	-	24,275	135,127	-	194,918
Depreciation of property, plant and equipment (Note 8)	483,525	78,337	676,366	1,925,970	-	3,164,198
Depreciation of right-of-use assets (Note 8)	-	-	-	-	662,057	662,057
Depreciation of investment properties (Note 8)	-	-	-	2,821,849	155,372	2,977,221
Amortisation of prepaid land lease payments (Note 8)	53,243	-	70,640	668,210	63,703	855,796
Amortisation of other intangible assets (Note 8)	1,023,925	-	-	257,954	-	1,281,879

The segment assets and liabilities as at 31 December 2020 are as follows:

	Unaudited					Total RMB
	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	
Segment assets	250,044,068	558,576,187	62,887,396	340,926,860	121,757,752	1,334,192,263
Segment liabilities	217,179,111	199,676,110	46,916,950	177,176,684	91,683,339	732,632,194

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

6 Segment information (Continued)*The segment results for the six months ended 31 December 2019:*

	Unaudited				Total RMB
	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	
Segment revenue from external customers	53,770,848	119,061,671	34,799,255	29,499,186	237,130,960
Timing of revenue recognition					
At a point in time	53,770,848	–	11,553,763	29,499,186	94,823,797
Over time	–	119,061,671	23,245,492	–	142,307,163
Segment cost of sales	(35,337,789)	(98,177,745)	(24,280,784)	(22,796,757)	(180,593,075)
Segment gross profit	18,433,059	20,883,926	10,518,471	6,702,429	56,537,885
Segment results	4,831,209	(6,686,990)	3,403,010	(25,647,807)	(24,100,578)
Common administrative expenses					(18,700,492)
Other income and gains/(losses), net					13,257,759
Finance costs – net					(4,180,083)
Loss before income tax					(33,723,394)
Income tax expense					(2,061,623)
Loss for the period					(35,785,017)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

6 Segment information (Continued)

Other segment information:

	Unaudited					
	Industrial products	Project contracting services	Environmental products	Supporting services	Unallocated	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Capital expenditure	4,108,183	11,947	100,315	96,467	–	4,316,912
Depreciation of property, plant and equipment (Note 8)	730,172	12,691	833,218	2,024,394	–	3,600,475
Depreciation of right-of-use assets (Note 8)	–	–	–	–	541,527	541,527
Depreciation of investment properties (Note 8)	–	–	–	2,821,848	155,371	2,977,219
Amortisation of prepaid land lease payments (Note 8)	53,240	–	70,640	668,210	63,703	855,793
Amortisation of other intangible assets (Note 8)	1,023,925	–	–	156,565	–	1,180,490

The segment assets and liabilities as at 30 June 2020 are as follows:

	Audited					
	Industrial products	Project contracting services	Environmental products	Supporting services	Unallocated	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Segment assets	258,161,109	587,588,549	64,530,169	368,174,479	94,170,953	1,372,625,259
Segment liabilities	230,487,233	228,941,947	40,248,552	189,776,195	112,196,228	801,650,155

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

7 Other income and gains/(losses), net

	For the six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RMB	RMB
Interest income recognised from project contracting services	5,981,952	3,875,310
Debt relief	4,099,961	–
Government grants	3,326,712	1,526,231
Service income	1,037,735	–
Tax refund	797,439	308,775
Rental income	482,427	353,101
Penalty income	301,050	–
Interest income from customer delaying on payment	266,700	6,987,641
Interest income from loan to a customer	199,971	196,232
Others	44,836	10,469
	16,538,783	13,257,759

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

8 Profit/(loss) before income tax

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

	For the six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RMB	RMB
Raw materials used	259,294,913	161,371,484
Change in inventory of finished goods and work in progress (Note 18)	(33,987,668)	5,576,961
Employee benefit expenses	24,327,022	29,925,604
Depreciation of property, plant and equipment (Note 13)	3,164,198	3,600,475
Depreciation of investment properties (Note 15)	2,977,221	2,977,219
Professional service fees	2,667,218	5,518,696
Addition of provision for write-down of inventories (Note 18)	2,194,800	1,206,219
Amortisation of other intangible assets (Note 16(ii))	1,281,879	1,180,490
Amortisation of prepaid land lease payments (Note 16(i))	855,796	855,793
Depreciation of right-of-use assets (Note 14)	662,057	541,527
Net impairment losses on financial and contract assets	253,739	48,718,154

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

9 Finance costs – net

	For the six months ended 31 December	
	2020 Unaudited RMB	2019 Unaudited RMB
Finance costs		
Interest on convertible bonds (Note 24)	(3,616,043)	(2,269,249)
Interest on loans (Note 22)	(2,772,949)	(1,929,095)
Upfront commitment fee on convertible bond	(1,740,900)	–
Interest paid/payable for lease liabilities (Note 14)	(148,881)	(167,430)
Exchange losses, net	(3,152,510)	–
Others	–	(35,404)
	(11,431,283)	(4,401,178)
Finance income		
Interest income	256,798	155,055
Exchange gains, net	–	66,040
	256,798	221,095
Finance costs – net	(11,174,485)	(4,180,083)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

10 Income tax expense

	For the six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RMB	RMB
Current income tax		
PRC enterprise income tax (iii)	3,489,768	5,096,472
Hong Kong profits tax (ii)	940,180	–
Deferred income tax	(406,686)	(3,034,849)
	4,023,262	2,061,623

(i) Cayman Islands profits tax

The Company is not subject to profits tax in the Cayman Islands.

(ii) Hong Kong profits tax

The Company's subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax. Pursuant to Inland Revenue (Amendment) (No.7) Bill, for a year of assessment commencing on or after 1 April 2018, Hong Kong profits tax is chargeable at the rate of 8.25% on assessable profits up to HKD2,000,000 and at the rate of 16.5% on any part of assessable profits over HKD2,000,000 for a corporation.

(iii) PRC enterprise income tax ("EIT")

EIT is provided on the assessable income of entities within the Group incorporated in the PRC. Pursuant to the PRC Enterprise Income Tax Law (the "New EIT Law"), the EIT of companies established in the PRC is unified at 25%, effective from 1 January 2008.

The applicable EIT rate of Zhejiang Huazhang Technology Limited ("Zhejiang Huazhang") is 25% according to the New EIT Law. Under the relevant regulations of the New EIT Law, Zhejiang Huazhang had obtained the qualification of High and New Technology Enterprise in the calendar year of 2020 with a validation period of three years. The applicable EIT rate of Zhejiang Huazhang is 15% from 2020 till 2022. Thus the applicable income tax rate for Zhejiang Huazhang was 15% for the six months period ended 31 December 2020 (six months period ended 31 December 2019: 15%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

11 Dividends

No dividends was paid during the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

On 26 February 2021, the Board resolved not to declare any interim dividend for the six months ended 31 December 2020 (six months ended 31 December 2019: nil).

12 Earnings per share

The calculation of the basic earnings per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 733,074,613 (2019: 733,857,225) which represents the shares in issue during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

12 Earnings per share (Continued)

The diluted earnings per share is same as the basic earnings per share for the six months ended 31 December 2020 and 2019. For the six months ended 31 December 2020, the Group had no potential dilutive ordinary shares in issue (six months ended 31 December 2019: any potential ordinary shares would have anti-dilutive effect).

	For the six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RMB	RMB
Basic		
Earnings		
Earnings/(losses) attributable to ordinary equity holders of the parent	18,563,277	(36,364,900)
Number of shares		
Weighted average number of ordinary shares in issue during the period	733,074,613	733,857,225
Basic earnings/(losses) per share (RMB cents)	2.53	(4.96)
Diluted		
Earnings		
Earnings/(losses) attributable to ordinary equity holders of the parent	18,563,277	(36,364,900)
Number of shares		
Weighted average number of ordinary shares in issue and potential ordinary shares issued as the denominator in calculating diluted earnings per share during the period	733,074,613	733,857,225
Diluted earnings/(losses) per share (RMB cents)	2.53	(4.96)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

13 Property, plant and equipment

	Buildings Unaudited <i>RMB</i>	Machinery and vehicles Unaudited <i>RMB</i>	Furniture, fittings and equipment Unaudited <i>RMB</i>	Construction in progress Unaudited <i>RMB</i>	Total Unaudited <i>RMB</i>
Six months ended					
31 December 2020					
Opening net book amount as at 1 July 2020	64,490,539	13,328,875	1,664,244	–	79,483,658
Additions	–	–	194,918	–	194,918
Disposals	–	–	(4,349)	–	(4,349)
Depreciation charge (Note 8)	(1,939,923)	(1,038,334)	(185,941)	–	(3,164,198)
Closing net book amount as at 31 December 2020	62,550,616	12,290,541	1,668,872	–	76,510,029
Six months ended					
31 December 2019					
Opening net book amount as at 1 July 2019	63,350,891	15,101,372	1,692,333	1,848,911	81,993,507
Additions	–	94,828	169,357	3,988,625	4,252,810
Disposals	–	–	(16,333)	–	(16,333)
Internal transfer	5,837,536	–	–	(5,837,536)	–
Depreciation charge (Note 8)	(2,430,326)	(971,144)	(199,005)	–	(3,600,475)
Closing net book amount as at 31 December 2019	66,758,101	14,225,056	1,646,352	–	82,629,509

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

14 Leases

This note provides information for leases where the group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at	
	31 December 2020 Unaudited RMB	30 June 2020 Audited RMB
Right-of-use assets		
Buildings	4,598,833	5,303,580
Lease liabilities		
Current	1,185,387	1,201,155
Non-current	3,448,267	4,038,619
	4,633,654	5,239,774

There was no addition to the right-of-use assets during the six months ended 31 December 2020.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	For the six months ended 31 December	
	2020 Unaudited RMB	2019 Unaudited RMB
Depreciation charge of right-of-use assets		
Buildings	(662,057)	(541,527)
Interest expense (Note 9)	(148,881)	(167,430)
Expense relating to short-term leases	(523,013)	(816,542)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

15 Investment properties

**Investment
properties
Unaudited
RMB**

Six months ended 31 December 2020

Opening net book amount as at 1 July 2020

109,975,507

Depreciation charge (Note 8)

(2,977,221)

Closing net book amount as at 31 December 2020

106,998,286

Six months ended 31 December 2019

Opening net book amount as at 1 July 2019

115,929,946

Depreciation charge (Note 8)

(2,977,219)

Closing net book amount as at 31 December 2019

112,952,727

16 Prepaid land lease payments and other intangible assets

(i) Prepaid land lease payments

Six months ended 31 December

	2020	2019
	Unaudited	Unaudited
	RMB	RMB
Opening net book amount	77,087,727	78,799,512
Amortisation charge (Note 8)	(855,796)	(855,793)
Closing net book amount	76,231,931	77,943,719

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

16 Prepaid land lease payments and other intangible assets (Continued)**(ii) Other intangible assets**

	Patents Unaudited RMB	Software Unaudited RMB	Total Unaudited RMB
Six months ended			
31 December 2020			
Opening net book amount as at 1 July 2020	10,751,212	1,913,067	12,664,279
Amortisation charge (Note 8)	(1,023,925)	(257,954)	(1,281,879)
Closing net book amount as at 31 December 2020	9,727,287	1,655,113	11,382,400
Six months ended			
31 December 2019			
Opening net book amount as at 1 July 2019	12,799,062	1,758,831	14,557,893
Additions	–	64,102	64,102
Amortisation charge (Note 8)	(1,023,924)	(156,566)	(1,180,490)
Closing net book amount as at 31 December 2019	11,775,138	1,666,367	13,441,505

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

17 Goodwill

	Headbox business Unaudited RMB	Logistics and warehousing services Unaudited RMB	Others Unaudited RMB	Total Unaudited RMB
Six months ended				
31 December 2020				
Opening net book amount as at 1 July 2020	36,155,379	3,183,135	596,370	39,934,884
Closing net book amount as at 31 December 2020	36,155,379	3,183,135	596,370	39,934,884
Six months ended				
31 December 2019				
Opening net book amount as at 1 July 2019	36,155,379	3,183,135	596,370	39,934,884
Closing net book amount as at 31 December 2019	36,155,379	3,183,135	596,370	39,934,884

Goodwill of the Group mainly arose from the acquisition of Hangzhou Haorong Technology Co., Ltd. and Hangzhou MCN Paper Tech Co., Ltd. (together, the "MCN Group") and Fu An 777 Logistics Limited ("777 Logistics", together with its subsidiaries, collectively known as the "777 Logistics Group") in 2017.

Goodwill is allocated to the cash generating unit ("CGU") of headbox business under the business segment of industrial products and the CGU of logistics and warehousing services under the business segment of supporting services for impairment test.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

17 Goodwill (Continued)

The following table sets out the key assumptions for the headbox business CGU which has significant goodwill allocated:

Headbox business

31 December 2020

Sales (% annual growth rate)
 Budgeted gross margin (%)
 Long term growth rate (%)
 Pre-tax discount rate (%)

	2%-5%
	30%-34%
	3%
	20.2%

Headbox business

30 June 2020

Sales (% annual growth rate)
 Budgeted gross margin (%)
 Long term growth rate (%)
 Pre-tax discount rate (%)

2%-5%
 32%-34%
 3%
 19.3%

These assumptions have been used for the analysis of CGU within the operating segment.

Sales is the average annual growth rate over the five-year forecast period. It is based on past performance and management’s expectations of market development.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in rubber, a key raw material, which management does not expect to be able to pass on to customers through price increases.

The long term growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segment.

As at 31 December 2020, no impairment charge arose in the aforesaid CGUs (30 June 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

18 Inventories

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Raw materials	50,872,484	40,003,052
Work in progress	74,801,132	21,794,399
Finished goods	44,871,301	63,890,366
	170,544,917	125,687,817
Less: provision	(14,203,541)	(12,008,741)
	156,341,376	113,679,076

As at 31 December 2020, raw materials and finished goods with a cost of RMB16,284,918 and RMB4,514,418 were considered as obsolete (30 June 2020: RMB14,872,897 and RMB3,731,639) and a provision of RMB9,689,123 and RMB4,514,418 (30 June 2020: RMB8,277,102 and RMB3,731,639) to write down their net realisable value was made against these raw materials and finished goods respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

19 Trade and other receivables, contract assets and prepayments

(i) Trade and other receivables

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Warranty receivables (a)	18,352,368	24,401,686
Other trade receivables (b)	525,495,171	620,239,326
	543,847,539	644,641,012
Less: provision for impairment of trade receivables (c)	(100,141,231)	(101,333,200)
Trade receivables – net	443,706,308	543,307,812
Bills receivable	28,147,171	20,372,673
Trade and bills receivables	471,853,479	563,680,485
Payment on behalf of an independent third party	87,287,538	87,265,017
Loan to customers	9,711,605	4,088,398
Deductible input value added tax	9,022,832	10,203,052
Other receivables – guarantee	3,888,444	3,304,332
Loan deposit to an independent third party	–	9,134,400
Others	3,430,139	4,401,774
	113,340,558	118,396,973
Less: provision for impairment of other receivables (c)	(27,315,984)	(27,336,709)
Other receivables – net	86,024,574	91,060,264
Total trade and other receivables	557,878,053	654,740,749
Less: trade and other receivables – non-current portion	(66,517,010)	(125,321,393)
	491,361,043	529,419,356

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

19 Trade and other receivables, contract assets and prepayments *(Continued)*

(i) Trade and other receivables *(Continued)*

- (a) The warranty receivables represent approximately 5% to 10% of the contract value of the sales of the Group which will be collected upon the expiry of the warranty period (which is usually for a period of 18 months from the date of delivery or 12 months after on-site testing, whichever is earlier).

The ageing analysis of the warranty receivables based on the date that the Group was entitled to collect the revenue is as follows:

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Warranty receivables		
1 year to 2 years	7,582,367	11,926,904
Over 2 years	10,770,001	12,474,782
	18,352,368	24,401,686

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

19 Trade and other receivables, contract assets and prepayments (Continued)

(i) **Trade and other receivables** (Continued)

- (b) The ageing analysis of the other trade receivables based on the date that the Group was entitled to collect the revenue is as follows:

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Other trade receivables		
Up to 3 months	75,427,911	169,632,126
3 months to 6 months	24,366,139	8,897,007
6 months to 1 year	115,000,199	163,351,853
1 year to 2 years	103,977,485	52,407,628
Over 2 years	206,723,437	225,950,712
	525,495,171	620,239,326

- (c) As at 31 December 2020, provisions amounting to RMB79,154,496 (30 June 2020: RMB79,154,496) and RMB24,585,572 (30 June 2020: RMB24,585,572) were made on certain trade receivables and other receivables respectively given that certain customers were in significant financial difficulty and had defaulted in scheduled payments and there was significant uncertainty of recovering these trade and other receivables.

(ii) **Contract assets**

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Contract assets	21,695,375	11,588,617
Less: provision for impairment of contract assets	(525,216)	(553,383)
	21,170,159	11,035,234

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

19 Trade and other receivables, contract assets and prepayments (Continued)**(iii) Prepayments**

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Prepayments for procurement	123,161,719	134,944,989
Others	335,218	409,618
	123,496,937	135,354,607
Total prepayments	123,496,937	135,354,607
Less: prepayments – non-current portion	(176,313)	(182,843)
	123,320,624	135,171,764

20 Cash and cash equivalents and pledged deposits

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Cash at bank and on hand	100,869,997	68,997,533
Less: pledged deposits	(61,122,958)	(28,602,729)
	39,747,039	40,394,804

The pledged deposits represent cash set aside as deposits for issuance of trade facilities such as bills payable and bank guarantee.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

21 Trade and other payables

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Trade payables	174,938,190	153,320,676
Bills payable	68,390,227	64,577,308
	243,328,417	217,897,984
Other taxes payables	36,745,826	49,918,691
Interest-free loan from independent third parties	13,580,800	18,050,800
Amount due to suppliers on a customer's behalf	13,419,621	13,618,244
Accruals	4,153,059	7,038,078
Employee benefit payables	2,796,576	2,086,926
Interest payable for convertible bonds	841,640	2,283,600
Payables for property, plant and equipment	744,914	1,471,346
Provision for warranty expenses	723,533	578,461
Deposits for project contracting services	–	29,986,987
Other deposits	1,471,834	1,471,836
Amounts due to related parties (Note 28(c)(i))	–	5,488,478
Others	4,904,794	4,324,244
Other payables	79,382,597	136,317,691
Total trade and other payables	322,711,014	354,215,675

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

21 Trade and other payables (Continued)

The ageing analysis of the trade payables is as follows:

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Up to 3 months	114,185,523	90,913,279
3 months to 6 months	9,712,214	1,129,810
6 months to 1 year	3,233,156	25,740,249
1 year to 2 years	41,512,074	20,658,934
Over 2 years	6,295,223	14,878,404
	174,938,190	153,320,676

22 Interest – bearing loans

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Non-current		
Bank borrowings	36,000,000	–
Current		
Loan from a non-controlling shareholder (Note 28(c)(i))	215,700	208,500
Bank borrowings	74,000,000	107,000,000
	110,215,700	107,208,500

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

22 Interest – bearing loans (Continued)

Movement in interest – bearing loans is analysed as follows:

	Loan from a non- controlling shareholder Unaudited RMB	Loans from bank Unaudited RMB	Loans from independent third parties Unaudited RMB	Total Unaudited RMB
Six months ended				
31 December 2020				
Opening net book amount as at 1 July 2020	208,500	107,000,000	–	107,208,500
Additions	–	46,000,000	–	46,000,000
Accrual of interest (Note 9)	7,200	2,765,749	–	2,772,949
Repayment	–	(45,765,749)	–	(45,765,749)
Closing net book amount as at 31 December 2020	215,700	110,000,000	–	110,215,700
Six months ended				
31 December 2019				
Opening net book amount as at 1 July 2019	642,151	23,000,000	31,143,513	54,785,664
Additions	–	33,000,000	30,000	33,030,000
Accrual of interest (Note 9)	18,000	1,247,673	663,422	1,929,095
Repayment	–	(6,247,673)	(10,013,000)	(16,260,673)
Closing net book amount as at 31 December 2019	660,151	51,000,000	21,823,935	73,484,086

As at 31 December 2020, the Group's borrowings are all denominated in RMB.

As at 31 December 2020, the loan from a non-controlling shareholder bore interest at a rate of 7.2% per annum (30 June 2020: 7.2% per annum).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

22 Interest – bearing loans (Continued)

As at 31 December 2020, the Group's loans from bank bore interest at an average rate of 4.69% per annum (30 June 2020: 4.71% per annum) and were borrowed by using banking facilities (30 June 2020: loans of RMB3,000,000 were secured by property, plant and equipment of the Group amounting to approximately RMB1,353,487 and the remaining balances were borrowed by using banking facilities).

As at 31 December 2020, the Group had the following unutilised banking facilities:

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Authorised banking facilities – expiring within one year	268,934,494	253,934,494
Less: utilised banking facilities	(172,377,474)	(156,007,660)
	96,577,020	97,926,834

As at 31 December 2020, the banking facilities granted by the bank were secured by property, plant and equipment, investment properties and prepaid land lease payments of the Group amounting to approximately RMB60,778,778, RMB106,998,286 and RMB76,231,931, respectively (30 June 2020: RMB63,137,052, RMB109,975,507 and RMB77,087,727, respectively).

23 Deferred income

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
At beginning of the year	24,187,500	25,537,500
Amortised as income	(675,000)	(675,000)
At end of the year	23,512,500	24,187,500

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

24 Convertible bonds

On 29 March 2017, the Company issued convertible bonds in principal amount of HK\$100,000,000 (equivalent to RMB88,780,000) (the “old Convertible Bonds”).

Pursuant to the bond subscription agreement, the old Convertible Bonds are:

- (a) convertible at the option of the bond holders into ordinary shares of the Company at HK\$2.50 per share (subject to adjustment) at any time on or after 29 April 2017 up to the close of business on the 30th day prior to the maturity date; and
- (b) the maturity date is 29 March 2019 and it is at the Company’s discretion to extend one additional year.

The old Convertible Bonds bear interest at a rate of 5% per annum payable semi-annually in arrears on 28 September and 28 March.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders’ equity.

The proceeds from the issuance of the old Convertible Bonds of HK\$100,000,000 have been split into liability and equity components on 29 March 2017 (the issuance date). On the issuance date, the fair value of the liability component of the old Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar bond without conversion option with consideration of the Group’s own non-performance risk. And it will be measured on the amortised cost basis until extinguished on conversion or redemption. The remaining proceeds are allocated to the equity component of the old Convertible Bonds. Transaction costs are apportioned between liability and equity components of the old Convertible Bonds based on the allocation of proceeds to the liability and equity components on the issuance date.

The fair value of the liability and equity components are determined based on the valuations performed by Duff and Phelps, an independent firm of professional valuers, using binomial model.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

24 Convertible bonds *(Continued)*

On 25 March 2019, the Company received a notice from the investor requesting to extend the maturity date of the old Convertible Bonds for 6 months after the maturity date, i.e. extend to 29 September 2019 under the same terms and conditions of the old Convertible Bonds (the "First Extension"). The Company agreed to the First Extension and accounted for the First Extension as a modification of the existing financial liability with the change in present value of the liability component, which represents the difference between carrying amount of liability component before the First Extension and discounted new cash flows under new terms using original effective interest rate, recognised in the statement of profit or loss.

On 29 September 2019, a supplemental deed in relation to the old Convertible Bonds was executed by the Company to extend the maturity date to 28 September 2020 (the "Second Extension"). The Company accounted for the Second Extension as a de-recognition of the existing financial liability and the recognition of a new financial liability with a gain recognised on extinguishment, being the fair value of consideration given to extinguish the financial liability and its previous carrying amount.

On 1 December 2020, the Company issued another convertible bonds in principal amount of HK\$100,000,000 (equivalent to RMB85,041,000) (the "new Convertible Bonds"). The proceeds from the issuance of the new Convertible Bonds was used to repay the old Convertible Bonds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 31 DECEMBER

24 Convertible bonds *(Continued)*

Pursuant to the bond subscription agreement, the new Convertible Bonds are:

- (a) convertible at the option of the bond holders into ordinary shares of the Company at HK\$0.71 per share (subject to adjustment) at any time on or after 1 March 2021 up to the close of business on the 30th day prior to the maturity date; and
- (b) the maturity date is 30 November 2021 and unless previously converted or cancelled, after 1 June 2021, the Bondholders shall have the option to request for the redemption by the Issuer of the Bonds by serving onto the Issuer a prior written notice of not less than two weeks from the intended date of early redemption of the Bonds.

The new Convertible Bonds bear interest at a rate of 12% per annum payable quarterly in arrears on 1 March 2021, 1 June 2021, 1 September 2021 and 30 November 2021.

The proceeds from the issuance of the new Convertible Bonds of HK\$100,000,000 have been split into liability and equity components on 1 December 2020 (the issuance date), while the liability component includes host debt and early redemption option, which is an embedded derivative of the host contract. On the issuance date, the fair value of the host debt of the new Convertible Bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar bond without conversion option or early redemption option with consideration of the Group's own non-performance risk. It will be measured on the amortised cost basis until extinguished on conversion or redemption. The early redemption option is estimated at fair value initially and will be measured at amortised cost together with the host debt. The remaining proceeds are allocated to the equity component of the new Convertible Bonds and is included in shareholder's equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

24 Convertible bonds (Continued)

	Liability component of Convertible Bonds Unaudited RMB	Equity component of Convertible Bonds Unaudited RMB	Total Unaudited RMB
At 1 July 2020	91,245,279	35,161,248	126,406,527
Settlement of old Convertible Bonds (Note 26)	(85,041,000)	(35,161,248)	(120,202,248)
Issuance of new Convertible Bonds	78,841,396	6,199,604	85,041,000
Interest expense (Note 9)	3,616,043	–	3,616,043
Interest paid	(2,176,125)	–	(2,176,125)
Currency translation differences	(7,155,964)	–	(7,155,964)
At 31 December 2020	79,329,629	6,199,604	85,529,233
At 1 July 2019	85,525,913	23,609,589	109,135,502
Interest expense (Note 9)	7,018,479	–	7,018,479
Interest paid	(2,241,208)	–	(2,241,208)
Extinguishment (Note 9, 26)	(4,749,230)	11,170,841	6,421,611
Currency translation differences	1,569,207	380,818	1,950,025
At 31 December 2019	87,123,161	35,161,248	122,284,409

25 Share capital and premium

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
Issued and fully paid: 732,895,225 (30 June 2020: 733,857,225) ordinary shares	6,195,323	6,203,955

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

25 Share capital and premium (Continued)

	Number of issued shares	Ordinary shares Unaudited RMB	Share premium Unaudited RMB	Total Unaudited RMB
At 1 July 2020	733,857,225	6,203,955	509,708,723	515,912,678
Shares repurchased (i)	(962,000)	(8,632)	(1,535,129)	(1,543,761)
At 31 December 2020	732,895,225	6,195,323	508,173,594	514,368,917
At 1 July 2019 and 31 December 2019	733,857,225	6,203,955	509,708,723	515,912,678

- (i) In July, September and October 2020, the Company repurchased 698,000, 206,000 and 58,000 ordinary shares respectively through purchases on Hong Kong Stock Exchange. All the repurchased ordinary shares had been cancelled as at 31 December 2020. The total amount paid to repurchase these ordinary shares was RMB1,543,761 and had deducted from the share capital and share premium of shareholders' equity.

Pursuant to Section 34 of the Cayman Companies Law (2003 Revision) and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provision of the Articles of Association of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

26 Other reserves

	Reorganisation reserve	Merger reserve	Statutory reserves	Translation reserves	Employee Share Option Scheme (i)	Fair value reserve	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
At 1 July 2020	2,335,540	33,028,254	30,211,367	5,304,584	1,807,855	(11,170,841)	61,516,759
Translation differences	-	-	-	8,055,025	-	-	8,055,025
Appropriation to statutory reserves	-	-	872,959	-	-	-	872,959
Share options	-	-	-	-	(418,770)	-	(418,770)
Settlement of old Convertible Bonds	-	-	-	-	-	35,161,248	35,161,248
At 31 December 2020	2,335,540	33,028,254	31,084,326	13,359,609	1,389,085	23,990,407	105,187,221
At 1 July 2019	2,335,540	33,028,254	29,145,970	9,502,114	4,399,960	-	78,411,838
Translation differences	-	-	-	(1,841,782)	-	-	(1,841,782)
Appropriation to statutory reserves	-	-	1,518,454	-	-	-	1,518,454
Share options	-	-	-	-	71,586	-	71,586
Extinguishment of convertible bonds	-	-	-	-	-	(11,170,841)	(11,170,841)
At 31 December 2019	2,335,540	33,028,254	30,664,424	7,660,332	4,471,546	(11,170,841)	66,989,255

- (i) As approved by the Company's board meetings on 15 January 2019, a total of 19,000,000 share options were granted to selected directors and employees as follows. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

26 Other reserves (Continued)**Employee Share Option Scheme**

Share options outstanding at the end of the period have the following expiry date and exercise prices:

Date of grant	Number of share options in an aggregate	Exercises price HKD/ share	Exercisable period
15 January 2019	3,000,000	4.04	Note 1
15 January 2019	3,000,000	4.04	Note 2
15 January 2019	13,000,000	4.04	Note 3

Note 1: The share options are exercisable in different periods from Jan 2019 to Jan 2021, and with different vesting requirements.

Note 2: The share options are exercisable in different periods from Jan 2019 to Jan 2022, and with different vesting requirements.

Note 3: The share options are exercisable in different periods from Jan 2019 to Jan 2023, and with different vesting requirements.

There was no movement of share options outstanding during the six months ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

27 Commitments**(a) As lessor**

The future minimum lease receivables under non-cancellable operating leases as at 31 December 2020 and 30 June 2020 are summarised as follows:

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
No later than 1 year	1,701,772	4,936,964
Later than 1 year and no later than 5 years	434,880	1,127,700
	2,136,652	6,064,664

(b) As lessee

The Group leases various offices and motor vehicles under non-cancellable operating leases expiring within six months to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 July 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 14 for further information.

The minimum lease payments under operating leases as at 31 December 2020 and 30 June 2020 are summarised as follows:

	As at 31 December 2020 Unaudited RMB	As at 30 June 2020 Audited RMB
No later than 1 year	65,580	54,200

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

28 Related-party transactions

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 31 December 2020 and 2019 and balances arising from related party transactions as at 31 December 2020 and 30 June 2020.

(a) Name and relationship with related parties

Name of related parties	Relationships
Mr. Zhu Gen Rong ("Mr. Zhu") (i)	One of the controlling shareholders, chairman of the Company, executive Director
Mr. Wang Ai Yan ("Mr. Wang") (i)	One of the controlling shareholders, executive Director
Mr. Liu Chuan Jiang ("Mr. Liu") (i)	One of the controlling shareholders, executive Director
Mr. Zhu Gen yi	Brother of Mr. Zhu
Mr. Jin Hao	Executive Director
Mr. He Min Jun	Non-controlling shareholder of Wuhan Wukong Control System Engineering Co., Ltd. ("Wukong"), one of the subsidiaries under the Group

- (i) Mr. Zhu, Mr. Wang, and Mr. Liu are bound to act in concert by contracts and collectively are regarded as the 'Controlling Shareholders' of the Group.

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER

28 Related-party transactions (Continued)

(b) Transactions with related parties

	Six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RMB	RMB
Key management compensation		
– Salaries	1,939,124	1,921,968
– Social security costs	122,560	122,105
– Pension costs – defined contribution plans	37,701	37,562
– Share options	(21,272)	278,690
– Other benefits	38,010	64,535
	2,116,123	2,424,860

(c) Balances with related parties

(i) Due to related parties:

	As at	As at
	31 December	30 June
	2020	2020
	Unaudited	Audited
	RMB	RMB
Loan from related parties		
– Mr. He Min Jun (Note 22)	215,700	208,500
– Mr. Zhu (Note 21)	–	5,480,640
Others (Note 21)		
– Mr. Zhu	–	4,010
– Mr. Jin Hao	–	2,771
– Mr. Wang	–	1,057

The loan from Mr. Zhu was borrowed in September 2019, unsecured, non-interest bearing and had been repaid as at 31 December 2020.

The loan from Mr. He Min Jun, the non-controlling shareholder of Wukong, one of the subsidiaries of the Group, was borrowed in April 2016 with an interest rate of 7.2% per annum (30 June 2020: 7.2% per annum) and is repayable on demand.