华章科技
HUAZHANG TECHNOLOGY

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

(Incorporated in Cayman Islands with limited liability)

Stock code：1673

ANNUAL REPORT 2021

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhu Gen Rong (Chairman)
Mr. Wang Ai Yan (Chief Executive Officer)
Mr. Fang Hui

Non-Executive Directors

Mr. Shi Chenghu

Independent Non-Executive Directors

Mr. Kong Chi Mo
Mr. Heng, Keith Kai Neng
Mr. Yao Yang Yang

AUDIT COMMITTEE

Mr. Kong Chi Mo (Chairman)
Mr. Heng, Keith Kai Neng
Mr. Yao Yang Yang

REMUNERATION COMMITTEE

Mr. Heng, Keith Kai Neng (Chairman)
Mr. Kong Chi Mo
Mr. Yao Yang Yang

NOMINATION COMMITTEE

Mr. Yao Yang Yang (Chairman)
Mr. Kong Chi Mo
Mr. Heng, Keith Kai Neng
Mr. Fang Hui

COMPANY SECRETARY

Mr. Chan So Kuen

AUTHORISED REPRESENTATIVES

Mr. Zhu Gen Rong
Mr. Chan So Kuen

Corporate Information

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, Building 2
Canal Advertising Industry Building
No. 99 Xiangyuan Road, Gong District
Hangzhou, Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 901, 9/F, Ocean Centre,
5 Canton Road, Tsim Sha Tsui
Kowloon
Hong Kong (with effect from 29 September 2021)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

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 Summary

Year ended 30 June	2021 RMB	2020 RMB	2019 RMB	2018 RMB	2017 RMB
Major Items of Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue	**496,906,070**	368,159,248	763,974,066	612,123,398	416,007,189
Gross profit	**105,627,700**	74,195,176	120,976,684	137,256,906	91,592,396
Gross profit margin	**21.3**	20.2%	15.8%	22.4%	22.0%
Profit/(Loss) attributable to the shareholders of the Company	**16,515,929**	(77,503,863)	(128,269,107)	48,285,144	30,638,948
Net profit/(loss) margin	**3.3%**	(21.0%)	(17.0%)	7.8%	7.3%
As 30 June					
Major Items of Consolidated Statement of Financial Position					
Non-current assets	**359,842,261**	464,272,556	346,840,328	473,912,784	137,945,745
Current assets	**1,024,802,276**	908,352,703	938,686,140	927,472,642	489,371,916
Non-current liabilities	**34,847,154**	34,336,858	32,384,732	108,805,388	67,622,369
Current liabilities	**666,983,489**	767,313,297	598,568,375	525,977,066	239,377,599
Capital and reserves attributable to the shareholders of the Company	**684,750,990**	571,443,645	655,356,325	765,786,978	319,117,623
Gearing ratio (Note 1)	**7.2%**	15.8%	7.7%	2.8%	2.6%

Notes:

(1) Gearing ratio is calculated based on the total interest-bearing loans (excluding the convertible bonds) at the end of the year divided by total interest-bearing loans (excluding the convertible bonds) plus total equity at the end of the respective year and multiplied by 100%.

Chairman's Statement

Dear shareholders,

On behalf of the board of directors of Huazhang Technology Holding Limited ("Huazhang Technology" or the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2021 (the "Year 2021").

In Year 2021, the external operating environment remained uncertain due to the impact of the pandemic. With efficient management, the Group recorded a profit of approximately RMB16.5 million in Year 2021 after experiencing significant losses in two financial years, which represents a significant improvement as compared to loss of approximately RMB77.2 million recorded last year. Revenue and gross profit for Year 2021 amounted to approximately RMB496.9 million and approximately RMB105.6 million, representing an increase of approximately 35.0% and 42.4%, respectively, as compared to those of last year. At the same time, the provision for Year 2021 decreased significantly. The management of the Group will continue to make ongoing efforts to strengthen its management and performance assessment in order to achieve the best interests of the Group.

The global impact of the COVID-19 pandemic over the past year imposed a challenge for the Group's overseas operations. In order to ensure the completion of the Group's first overseas turnkey project, the Group, under cooperation with over 20 suppliers and their personnel, assigned over 30 technical personnel to Vietnam for installation and commissioning work. In addition, the Group also designated 2 technical personnel to Malaysia to complete the commissioning work. Although a number of technical personnel were dispatched abroad, the Group still managed to maintain normal delivery of domestic turnkey projects and recorded fruitful results this year, as evidenced by the fact that a total of 5 projects involving the turnkey and renovation of paper making equipment were delivered throughout the year.

By weathering through a challenging year, the Group has proven to have a technically solid and strong engineering design and implementation team, which is always committed to satisfying customer service despite the hardships. At present, the Group has more than 130 engineers and technical personnel involved in the design and manufacture of key equipment such as paper making equipment, paper pulp process, automation system, headboxes, shakers, etc. They all have more than 10 years of technical experience in paper making industry. The Group's technical team is one of the most highly skilled, professional as well as largest teams in China's paper manufacturing industry.

The Group support its customers' success via its "technology + manufacturing" approach to turnkey projects, demonstrating its deep integration in the paper-making equipment industry chain, as well as the unique value of its design capabilities in such integration. The Group focuses on building a top-notch design team in the pulp and paper making industry with the goal of pursuing excellence and narrowing the gap with first-tier international suppliers.

Facing a new market and new challenges, the Group's design team is well positioned and has completed the technical solution proposal and preliminary design of a 6600/1200 metre of paper machine and the preparation of key components in the hope of making a breakthrough in technology and market by 2022.

Chairman's Statement

In recent years, the Chinese government has placed increasing emphasis on environmental protection and has proposed in the "14th Five-Year Plan" to peak China's CO2 emissions by 2030 and achieve carbon neutrality by 2060. All these policies contribute the Group to be more proactive in promoting and exploring environmental protection business. Due to the increase in metal prices and the pollution caused by metal mining, the scrap metal recycling business can achieve environmental protection by reducing the waste of metal resources. Therefore, while focusing on the environmental protection business of sludge and sewage treatment, the Group has developed the metal scrap trading business this year, which has accumulated more customers and suppliers on the one hand, and helped the Company enter into the recycled metal industry on the other hand, so that the Group can make more accurate decisions when expanding the recycled metal business and making investments in the future. The Group believes that its business will become more diversified and internationalized, so as to diversify its previously risk of relying on a single market in the paper making industry.

Lastly, on behalf of the Board, I would like to express my sincere gratitude to the management team and our staff for their tenacious efforts and outstanding contributions to the development of the Group in the past year. I would also like to extend my heartfelt thanks to our shareholders, investors, customers and business partners for their ongoing support to the Group. With their assistance and efforts, the Group will move forward courageously in the direction of "Integrating Together, Creating Together, Benefiting Together" and deliver sustainable business growth to create more values for all parties.

Zhu Gen Rong
Chairman

Hong Kong
30 September 2021

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. ZHU Gen Rong (朱根荣), aged 58, is the chairman of our board and an executive Director. He is also one of our controlling shareholders. Mr. Zhu oversees the overall operation and is responsible for the overall strategic planning, development, and management of our Group. Mr. Zhu has over 25 years of experience in the mechanical and engineering industry. Prior to founding our Group, Mr. Zhu worked at Hangzhou Project and Research Institute of Electro mechanic in Light Industry (輕工業杭州機電設計研究院) from 1984 to 1993, a state-owned entity principally engaged in the business of, among others, researches in the technology for pulp, paper-making and the automation of electric instruments and he took up several positions including the deputy head of the product development department. He then worked as general manager at Hangzhou Microelectronics Company Limited (杭州華章微電子公司) from 1993 to 1996, a company principally engaged in the business of manufacturing of mixed integrated circuit and electrical ballast, projects of industrial automation system, and the purchasing of materials and equipment for industrial automation systems. He also founded Hangzhou Yiyi Consultation (then known a Hangzhou Huazhang Electric Engineering Company Limited) in December 1996, Hangzhou Rongtai Electric in December 1998 and Shanghai Yunjie Consultation (then known as Shanghai Huazhang Electric Control Engineering Company Limited) in May 1999, of which the businesses of all three companies were then transferred to Huazhang Automation (Zhejiang) in November 2006. Hangzhou Rongtai Electric has been deregistered. Mr. Zhu founded Zhejiang Huazhang Technology Limited (浙江華章科技有限公司 ("Zhejiang Huazhang")), the PRC operating subsidiary of our Company, in July 2001. Mr. Zhu obtained a diploma in industrial electrical automation (工業電氣自動化) from Nanjing Electrical School (南京機電學校) in July 1984. He has been the vice president of the China Association of the Federation of Industry and Commerce (中華全國工商業聯合會紙業商會) since October 2009.

Mr. WANG Ai Yan (王愛燕), aged 55, was appointed and became an executive Director on 1 October 2014. Mr. Wang has also been the chief executive officer of the Group since 1 October 2014, who is responsible to oversee the Group's daily operation and accounting and financial matters with the assistance of the chief financial officer of the Group. Mr. Wang obtained a bachelor's degree in Electrical automation and an EMBA degree from Zhejiang University (浙江大學) in 1992 and 2014, respectively. Mr. Wang has over 20 years of experience in the mechanical and engineering industry. He worked as an assistant engineer at the Hangzhou Project and Research Institute of Electro-mechanic in Light Industry (輕工業部杭州機電設計研究所) from 1987 to 1993. From 1993 to 1996, Mr. Wang worked as the vice general manager at Hangzhou Huazhang Microelectronics Company Limited (杭州華章微電子公司). He worked as the vice general manager at Hangzhou Yiyi Corporate Management Consultation Limited (杭州意義諮詢有限公司) (then known as Hangzhou Huazhang Electric Engineering Company Limited (杭州華章電氣工程有限公司)) from December 1996 to August 2006. Mr. Wang worked as a director and general manager at Zhejiang Huazhang Automation Equipment Company Limited from September 2006 to September 2014.

Biographical Details of Directors and Senior Management

Mr. Fang Hui (方暉), aged 33, was appointed and become an executive Director and a member of the Nomination Committee, on 29 April 2021. He has strong background in solid waste recycling and recovery, waste disposal and environmental protection. Between 2013 and 2014, he was a general manager assistant at Chiho-Tiande (HK) Limited, a subsidiary of Chiho Environmental Limited ("Chiho"). Chiho is a global leader in metal recycling and environmental protection and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 976). In 2015, Mr. Fang helped to found HeHe Resources Limited ("HeHe") where he became a director. HeHe is an investment holding company based in Hong Kong which seeks to identify and invest in environmental projects throughout the world. In 2017, HeHe and Taizhou Hengshengtianyue Metal Co. Ltd.* (台州市恒晟天悦金屬有限公司) founded Zhejiang HeHe Environmental Resources Co., Ltd.* (浙江和合環境資源有限公司) ("Zhejiang HeHe") where Mr. Fang also became a director. Zhejiang HeHe is a PRC joint venture company based in Taizhou, China. It was established with a total investment amount of USD50 million with the aim to build a 500mu waste recycling and recovery park in Taizhou. The park is intended to use modern technologies and practices to transform and upgrade the solid waste recycling industry in Taizhou, to enhance their competitiveness and to help Taizhou create its own version of the circular economy. Through HeHe, Mr. Fang and his father, Mr. Fang AnKong helped the Company found Hua Zhang Environmental Resources Investment Limited ("Environmental Resources") which owns HeHe Resources FZE ("HeHe FTZ"). HeHe FTZ is a Dubai FTZ company and is the vehicle which Mr. Fang and his father Mr. Fang AnKong successfully secured the necessary licenses for the Group's recycling project in Dubai in 2019. Between 18 September 2019 and 1 September 2020, Mr. Fang was a director of Environmental Resources. As at 21 June 2021, Mr. Fang has reappointed as director of Environmental Resources. Mr. Fang is the chairman of Hong Kong Lu Qiao Association Co. Ltd.* (香港路橋同鄉會有限公司) and Taizhou City Lu Qiao Lu Gang Real Estate Association Co. Ltd.* (台州市路橋旅港同鄉置業有限公司). Mr. Fang is also a director of Dan Shui Investment Limited which is an investment company, and Creation Best International Limited ("Creation Best").

NON-EXECUTIVE DIRECTORS

Mr. Shi Chenghu (石成虎), aged 46, was appointed and become an non-executive Director on 27 April 2021. He is the founding partner and the chief executive officer of BANDS Financial Limited ("BANDS"), which is a commodity and financial futures broker based in Hong Kong. BANDS currently holds type 2 (dealings in futures contracts) licence under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") and Mr. Shi is currently a responsible officer to carry out type 2 (dealing in futures contracts) (since October 2015) regulated activities under the SFO. Mr. Shi started his career with China's State Reserve Bureau in 1996, where he was involved in the strategic reserve management of ferrous and non-ferrous metals for the nation. In 2003, Mr. Shi joined Sempra Metals Far East Limited, a subsidiary of Sempra Energy, where he worked primarily for its London subsidiary, Sempra Metals Limited, a category 1 member of the London Metal Exchange (the "LME"). In 2008, as the China Chief Representative of Newedge Financial Inc. ("Newedge"), Mr. Shi founded CITIC Newedge Futures Co., Ltd., one of the first three Sino-foreign future joint ventures in China then. The joint venture was regarded as the first step of the internationalisation of the China's commodities futures market. Before establishing BANDS, Mr. Shi was a registered representative and responsible officers for type 2 (dealing in futures contracts) under SFO since 2006 and held several senior roles at a number of international financial institutions, including as managing director and head of commodities futures for Jefferies Hong Kong Limited in Asia between 2012 to 2015 and head of metals for Newedge in Asia between 2008 to 2012. Mr Shi's career has witnessed the phenomenal growth of Chinese economy and it's influence to the global commodities market. Mr Shi is widely recognised as a leading figure on promoting globalisation of Chinese commodities companies, Chinese metals market and Renminbi internationalisation on commodities trading. In 2020, Mr. Shi has been appointed as the member of the User Committee of the LME where he can voice the interests of metal trading community particularly from an Asian perspective. Mr. Shi obtained a Bachelor degree in Metallurgical Engineering from University of Science and Technology Beijing in 1996 and Executive Master of Business Administration from China Europe International Business School in 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kong Chi Mo (江智武) ***CESGA®, FCCA, FCG, FCS, FHKIoD & MHKSI***, aged 46, was appointed as our independent non-executive Director on 6 May 2013. Mr. Kong also chairs the audit committee and is a member of the remuneration committee and the nomination committee of the Company. Mr. Kong is primarily responsible for providing independent advice and guidance to the Board.

Presently, Mr. Kong serves as an independent non-executive director of AK Medical Holdings Limited (stock code: 01789) and an independent non-executive director of ZACD Group Ltd. (stock code: 08313). All of the above-mentioned public companies are listed on the Hong Kong Stock Exchange.

After graduation, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited, an indirect wholly-owned subsidiary of Hutchison Telecommunications Hong Kong Holdings Limited (stock code: 00215), from June 1997 to March 1998. Mr. Kong worked as a tax associate in PricewaterhouseCoopers, an international accounting firm, from March 1998 to October 1999 and worked in KPMG, another international accounting firm, from October 1999 to December 2007, during which his last position held in KPMG was audit senior manager. Mr. Kong successively served as an executive director, chief financial officer, company secretary and authorized representative during his employment with China Vanadium Titano-Magnetite Mining Company Limited (stock code: 00893), from May 2008 to March 2020. Mr. Kong served as an independent non-executive director of Aowei Holding Limited (stock code: 01370), from June 2013 to March 2021, and an independent non-executive director of Starlight Culture Entertainment Group Limited (stock code: 01159), from May 2017 to May 2019. All of the above-mentioned public companies are listed on the Hong Kong Stock Exchange.

Mr. Kong is qualified as an European Federation of Financial Analysts Societies Certified ESG Analyst, the first internationally recognized ESG Professional Accreditation in Hong Kong and a Value Reporting Foundation's Fundamentals of Sustainability Accounting Credential Level II Candidate. Aside from the above-mentioned ESG- and sustainability-related qualifications, in aspects of accounting, corporate secretarial and governance, Mr. Kong is also admitted as (i) a Fellow of The Association of Chartered Certified Accountants in the United Kingdom, (ii) a Fellow Chartered Secretary and a Fellow Chartered Governance Professional of both The Chartered Governance Institute in the United Kingdom and The Hong Kong Chartered Governance Institute, (iii) a Fellow of The Hong Kong Institute of Directors, and (iv) an Ordinary Member of Hong Kong Securities and Investment Institute. Mr. Kong obtained his Bachelor's degree in Business Administration from The Chinese University of Hong Kong in December 1997.

Biographical Details of Directors and Senior Management

Mr. Heng, Keith Kai Neng (邢凱能), aged 42, was appointed and become an independent non-executive Director and the chairman of Remuneration Committee, and a member of the Audit Committee and the Nomination Committee, respectively on 2 January 2019. Mr. Heng obtained his bachelor of arts degree in accounting and finance degree from The University of Manchester in 2001, and a master of corporate governance from The Hong Kong Polytechnic University in 2018. Mr. Heng is a fellow and a member of the Association of Chartered Certified Accountants, member of the Hong Kong Institute of Certified Public Accountants, associate of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and associate of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Mr. Heng is currently a director of a secretarial firm. He has extensive experience in corporate governance, auditing and accounting in Hong Kong.

Mr. Yao Yang Yang (姚楊洋), aged 33, was appointed and become an independent non-executive Director and a chairman of Nomination Committee, and a member of Audit Committee and the Remuneration Committee, respectively on 31 March 2021. He obtained a Master of Urban Planning and Design degree from Huazhong University of Science and Technology in 2014. From March 2014 to December 2020, Mr. Yao worked at Poly Developments and Holdings Group Co. Ltd (保利發展控股集團股份有限公司), and served as a designer of design division of Poly Jiangsu Property Development Limited* (保利江蘇房地產發展有限公司) and the vice general manager and the manager of design division of Poly Yancheng Property Development Limited* (保利鹽城房地產發展有限公司), and his last position was the senior manager of investment division of Poly Jiangsu Property Development Limited* (保利江蘇房地產發展有限公司). Since December 2020, Mr. Yao has been serving as vice president of Tianjin Yikai Tomorrow Asset Management Co., Ltd. * (天津易凱明天資產管理有限公司). He has over 6 years of experience in the fields of business development and investment in China.

SENIOR MANAGEMENT

Mr. CHAN So Kuen (陳素權), aged 41, is company secretary, chief financial officer and authorized representative of the Company with effect from 28 February 2014. Mr. Chan has been appointed as an independent non-executive director of Link Holdings Limited (stock code: 8237) and Yangzhou Guangling District Taihe Rural Micro-finance Company Limited (stock code: 1915) since 16 October 2014 and 15 January 2015, respectively. All these public companies are listed on the main board or GEM of the Stock Exchange. Mr. Chan has over 15 years of experience in financing, auditing and accounting. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University in 2001.

Management Discussion and Analysis

INDUSTRY REVIEW

Despite the impact of the COVID-19 in 2020, China was the first country in the world to resume work and production, which put China on the fast track of economic recovery, resulting in a gradual rebound in consumer demand. By strengthening the adjustment of raw materials and products structures, the paper making industry has rapidly resumed production and maintained a relatively good momentum. According to the survey data of China Paper Association, there were about 2,500 paper and cardboards manufacturers in China in 2020, and the national production volume of paper and cardboards was 112.60 million tonnes, representing a 4.60% increase from the previous year. The consumption volume reached 118.27 million tonnes, representing a 10.49% increase from the previous year.

As an essential primary raw material, paper products are used in many industries and fields, including education, technology, industry and daily life. Therefore, the paper making industry plays a vital role in the national economy. In spite of this, the paper making industry is a highly polluting and energy-intensive industry, which will face the challenge to peak carbon emissions and achieve carbon neutral production after they were first included in the report on the work of the PRC government in the first half of 2021. Issues in five aspects are required for the paper making industry to address in order to peak carbon emissions and achieve carbon neutral target, namely the prediction of total paper demand and peak production capacity, scientifical and reasonable control of the growth rate of additional production capacity, identifying alternative energy sources and making breakthroughs in existing technology and equipment, determination of new energy consumption standards and elimination of outdated production capacity, addition of carbon sinks and securing precipitated carbon sources. The best solution to these problems is to upgrade or renovate existing equipment and use modern sensors, industrial network, big data and other key intelligent technologies to manage energy consumption and production efficiency, which will provide more opportunities for domestic innovative equipment manufacturers.

BUSINESS REVIEW

During the year under review, benefiting from the full recovery of the paper making industry, the accelerated progress of projects under execution and the increase in customer demand, the Group's revenue and gross profit both experienced significant increase. Moreover, the Group has made appropriate provisions in previous years based on actual circumstances. As a result, the Group turned around from a loss of approximately RMB77.2 million for the year ended 30 June 2020 to a profit of approximately RMB16.5 million for the year ended 30 June 2021, reversing the loss for the past two financial years in one go.

Project Delivery

For the Group, although the COVID-19 pandemic disrupted all project execution plans in the first half of 2020, with the efforts of all the Group's engineering and technical personnel and the strong support of our customers, in the second half of 2020, we achieved a total of 5 projects involving the turnkey and renovation of paper making equipment delivered for the year, including the delivery and operation of PM40 special paper machine (4800/800) for Shandong Sun Paper, the delivery and installation of a turnkey project of boxboard machine for Vietnam Miza (越南米亞) and the initial delivery and installation of two tobacco paper making machines for Yunnan Zhongyan. The successful delivery of numerous projects demonstrates the caliber and execution capability of the Group's technical personnel. The Group strongly believes that the its technical personnel currently have a leading edge in the paper making industry in terms of quantity, design and installation expertise in industry.

Management Discussion and Analysis

Successful Completion of the First Overseas Turnkey Project

On 28 April 2021, the Group's first overseas turnkey project, "Vietnam Mia 4800/450 paper machine", successfully started operation in Thanh Hoa Province, Vietnam. It is the first overseas turnkey project undertaken by the Group, which provides engineering design, paper pulp system, flow feed system, paper making and related equipment, wastewater treatment, electrical control system, equipment installation services and start-up services for Vietnam Mia. The project is the largest paper production line in northern Vietnam, with a daily production capacity of 350 tonnes of finished paper and a daily wastewater treatment capacity of 4,000 cubic meters. It also perfectly illustrates the Group's philosophy of "Integrating Together, Creating Together, Sharing Together". As the general contractor of the project, the Group provides core products such as paper making equipment, headboxes, wastewater treatment and automation control, and joins force with outstanding domestic and foreign component suppliers to offer high-quality products and services to customers.

The Vietnam Mia project is the manifestation of the Group's strategy to integrate with the "Belt and Road" Initiative of the PRC and the in-depth implementation of the nation's "Go Global" Initiative. In the future, the Group will focus on developing the construction of paper making projects in the countries along the "Belt and Road" route, increasing the efforts to develop the markets of the countries along the route, and promoting the market share of domestic paper making equipment in paper making lines in countries along the "Belt and Road" route. With its capability and reputation, Huazhang Technology will shape its brand in the international market with firmer foothold. Due to the impact of the pandemic, sales staff are unable to go overseas freely for the time being. The Group will continue to communicate with existing and potential customers through the Internet, with means such as video conferencing, to minimize the impact on the Group's overseas business expansion.

Various Technical Innovations

During the year, the Group continued to make significant investments in scientific research and established a research institute last year. For the year ended 30 June 2021, the Group invested RMB27.4 million in research and development. The Group actively expanded its paper making equipment product line and, on top of its existing paper-making transmission, DCS and other automation systems, key components such as headboxes, high-frequency shakers, paper making project turnkey, clean production such as exhaust gas, solid waste RDF, wastewater treatment, etc., introduced key equipment and systems such as high-efficiency pulper, taper mill, equipment status monitoring, paper-making video monitoring, cordless paper guide system, auxiliary equipment for paper-making netting operation.

In addition, in respect of headbox, the Group has produced and delivered some leading paper making and forming equipment in China, such as the largest domestically manufactured 7640/1200 fourdrinier paper making machine headbox, the largest domestically manufactured 5600/1300 crescent-shape paper machine headbox, and 3500/200 non-woven wet molding equipment, which shorten the gap with the world's advanced standards. In terms of technologies in paper making equipment, the Group has completed the technical solution proposal and preliminary design of the 6600/1200 metre of paper machine, as well as the preparation of key components. The Group will make efforts in the research and development of domestic paper making equipment with the goal of narrowing the standard gap between domestically produced equipment and the world's leading ones.

During the year ended 30 June 2021, the Group registered 11 new patents, including 1 invention patents and 10 software copyrights, with a total of 127 registered patents (including 26 invention patents, 72 utility model patents and 29 software copyrights).

FINANCIAL REVIEW

Revenue and gross profit margin

Revenue increased by approximately 35.0% from approximately RMB368.2 million for the year ended 30 June 2020 to approximately RMB496.9 million for the year ended 30 June 2021, primarily attributing to increase in progress of the projects and demands from our customers. Gross profit margin increased from approximately 20.2% for the year ended 30 June 2020 to approximately 21.3% for the year ended 30 June 2021.

(i) Industrial products

Revenue from sales of industrial products increased significantly by approximately 185.6% from approximately RMB85.4 million for the year ended 30 June 2020 to approximately RMB244.0 million for the year ended 30 June 2021. Such increase was primarily attributable to recovery of the paper industry and increase in demand on headbox equipment. Such increase are mainly attributing to (i) the sales of industrial automation systems increased by approximately RMB127.4 million to approximately RMB158.0 million, primarily attributing to increase in project scale and number of projects; and (ii) the sales of headbox equipment increased by approximately RMB31.2 million to approximately RMB86.0 million, primarily attributing to increase in market shares and launch of new products, for the year ended 30 June 2021 as compare with last year. However, the gross profit margin of industrial products decreased from approximately 29.8% for the year ended 30 June 2020 to approximately 19.5% for the year ended 30 June 2021. Such decrease was attributable to the market competition was keen, the Group reduced the profit margin to enhance its competition.

(ii) Project contracting services

Revenue from project contracting services increased by approximately 8.0% from approximately RMB169.0 million for the year ended 30 June 2020 to approximately RMB182.5 million for the year ended 30 June 2021. 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 for the year ended 30 June 2021. For the year ended 30 June 2021, the Group completed 2 project contracting services projects, the Vietnam Miaz project and Fantai Paper project. The gross profit margins of project contracting services increased from approximately 14.5% for the year ended 30 June 2020 to approximately 23.8% for the year ended 30 June 2021, primarily attributing to profit margin of overseas projects was relatively high as compared with domestic projects.

(iii) Environmental business

Revenue from sales of environmental business decreased by approximately 65.9% from approximately RMB58.2 million for the year ended 30 June 2020 to approximately RMB19.9 million for the year ended 30 June 2021. 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 decreased from approximately 25.2% for the year ended 30 June 2020 to approximately 14.5% for the year ended 30 June 2021, primarily attributing to increase the trading portion rather than the manufacturing portion in sales of sludge products as the profit margin of the trading business is low.

(iv) Supporting services

Revenue from the provision of supporting services decreased by approximately 9.0% from approximately RMB55.4 million for the year ended 30 June 2020 to approximately RMB50.5 million for the year ended 30 June 2021. The revenue from the provision of supporting services decreased mainly due to the scale of after-sales service contracts was reduced for the year ended 30 June 2021. The gross profit margin for the provision of supporting services increased from approximately 17.2% for the year ended 30 June 2020 to approximately 23.0% for the year ended 30 June 2021. The gross profit margin increased primarily due to gross loss generated by the supply chain business was decreased as the rental rate was increased for the year ended 30 June 2021 as compared with last year.

Selling and distribution expenses

The selling and distribution expenses increased by approximately 3.4% from approximately RMB9.2 million for the year ended 30 June 2020 to approximately RMB9.5 million for the year ended 30 June 2021, accounting for approximately 2.5% and approximately 1.9% of the Group's revenue for the year ended 30 June 2020 and 2021 respectively. Increase in selling and distribution expenses in absolute amounts was primarily attributable to increase in employee benefit expenses as the revenue of the Group was increased for the year ended 30 June 2021.

Administrative expenses

The administrative expenses decreased by approximately 9.7% from approximately RMB57.1 million for the year ended 30 June 2020 to approximately RMB51.6 million for the year ended 30 June 2021, accounting for approximately 15.5% and approximately 10.4% of the Group's revenue for the year ended 30 June 2020 and 2021 respectively. Decrease in administrative expenses was 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 RMB4.8 million in relation to the waste recycling and treatment business for the year ended 30 June 2021 as compared with the respective period in 2020 due to no preparation expenditures were incurred.

Research and development expenses

The research and development expenses increased by approximately 13.8% from approximately RMB24.0 million for the year ended 30 June 2020 to approximately RMB27.4 million for the year ended 30 June 2021, accounting for approximately 6.5% and approximately 5.5% of the Group's revenue for the year ended 30 June 2020 and 2021 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 gains/(losses) on financial and contract assets

The Group recorded a change from net impairment losses on financial and contract assets of approximately RMB83.9 million to reversal of net impairment losses on financial and contract assets of approximately RMB4.9 million for the year ended 30 June 2021. Reference is made to the announcement dated 21 February 2020, the Group made impairment on financial assets of several customers amounting to approximately RMB81.2 million for the year ended 30 June 2020, 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 year ended 30 June 2021, the situation of these customers did not have any material change, therefore, the Group did not make further impairment on these customers and considered that the impairment provision was sufficient as at 30 June 2021. 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. For the other financial and contract assets, the management of the Group has actively monitored the settlement, made prudent assessments and provided impairment losses on financial and contract assets based on their best estimates. For the year ended 30 June 2021, the ageing of trade receivable was improved, over 6 months past due was decreased sharply, as a results, the Group reversed the impairment losses on financial assets in previous years.

Other income and gains, net

Other income and gains, net decreased by 14.2% from approximately RMB27.3 million for the year ended 30 June 2020 to approximately RMB23.4 million for the year ended 30 June 2021, such decrease was mainly attributing to a decrease of approximately RMB8.6 million in relation to the interest income from customers delaying on payment as our customers settled its bill timely for the year ended 30 June 2021.

Finance costs – net

The finance costs – net increased by approximately 118.3% from RMB10.2 million for the year ended 30 June 2020 to approximately RMB22.3 million for the year ended 30 June 2021, primarily attributing to an increase in interest on convertible bonds as the Company issued a new convertible bond with interest of 12% in December 2020 and an exchange loss of approximately RMB4.0 million as the contracting project in Vietnam were settled in USD which increased the bank deposits in US dollar at as 30 June 2021 and generated the unrealized exchange loss.

Income tax expense

The Group recorded an income tax expense of approximately RMB6.6 million for the year ended 30 June 2021 while there was an income tax credit of approximately RMB5.7 million for the year ended 30 June 2020. Such change was mainly attributable to the Group recorded operating profits for the year ended 30 June 2021 as operating loss was recorded for the year ended 30 June 2020. The PRC enterprise income tax and Hong Kong profit tax increased from approximately RMB1.0 million and nil, respectively, for the year ended 30 June 2020 to approximately RMB6.4 million and RMB2.7 million, respectively, for the year ended 30 June 2021, primarily due to increase in operating profits of the Group for the year ended 30 June 2021.

The effective tax rates of the Group changed from approximately 6.9% for the year ended 30 June 2020 to approximately 28.5% for the year ended 30 June 2021, such change was mainly attributable to decrease in tax losses for which no deferred tax asset was recognised and adjustments for current tax of prior years for the year ended 30 June 2021.

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

As a result of the foregoing, the Group recorded a net profit of approximately RMB16.5 million for the year ended 30 June 2021 as compared with a net loss of approximately RMB77.2 million for the year ended 30 June 2020. The margin changed from net loss margin of approximately 21.0% for the year ended 30 June 2020 to net profit margin of approximately 3.3% profit for the year ended 30 June 2021.

Profit/(loss) for the year attributable to the shareholders of the Company

The Group recorded a profit for the year attributable to the shareholders of the Company amounting to approximately RMB18.0 million for the year ended 30 June 2021 as compared with loss for the year attributable to the shareholders of the Company amounting to approximately RMB77.5 million for the year ended 30 June 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the year under review. The Group was principally financed by internal resources, loans from banks and equity financing. As at 30 June 2021, the Group had cash and cash equivalent balance amounting to approximately RMB145.3 million (30 June 2020: approximately RMB40.4 million) and interest-bearing loans amounting to approximately RMB53.0 million (30 June 2020: approximately RMB107.2 million). Increase in cash and cash equivalents is primarily attributing to the Group recorded a cash inflow from operating activities amounting to approximately RMB119.0 million for the year ended 30 June 2021 (30 June 2020: cash outflow amounting to approximately RMB45.9 million).

Convertible Bonds

On 29 March 2017, the Company issued the convertible bonds in principal amount of HK$100,000,000 (equivalent to RMB88,780,000 ("old Convertible Bonds")), the bond was expired on 28 September 2020 and replaced by issuance of new convertible bond on 1 December 2020.

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 the new convertible bonds in principal amount of HK$100,000,000 million (equivalent to approximately RMB85,041,000) ("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 issued the new Convertible Bonds 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 Stock Exchange on the last trading day, and (ii) the average closing price of HK$0.71 per share as quoted on the 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.

Pursuant to the 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.

Dao He Investment Limited is the investor of New Convertible Bond and Mr. Fang Hui is the ultimate beneficial owner of Dao He Investment Limited. Since 29 April 2021, Mr. Fang Hui, the ultimate beneficial owner has been appointed to act as executive Director of the Company.

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

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.

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

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed as below, the Group had no significant investments held and disposals during the year ended 30 June 2021.

Investments in an associate

On 18 December 2020, the Group and an independent third party entered into a shareholder agreement, pursuant to which the Group and a shareholder agreed to established a new company, Tongxiang Jiafu Paper Machine Co., Ltd* (桐鄉加福造紙設備有限公司 or "Jiafu"). The Group and the shareholder would invest RMB5.0 million and RMB10 million, respectively, and hold 33.3% and 66.7% equity interests in the Jiafu, respectively. The principal business of the Jiafu is to provision of start-up services, consulting services and trading services. As at 30 June 2021, the Group have paid the cash consideration of RMB5.0 million.

Financial assets at fair value through profit or loss

On 3 December 2020, the Group and an independent third party entered into a shareholder agreement, pursuant to which the Group and a shareholder agreed to establish a new company, Zheijiang Hua Zhang Fibre Technology Co., Ltd.* (浙江華章纖維科技有限公司 or "Fibre"). And the Group would invest RMB5.0 million and hold 15.0% equity interests in the Fibre and a shareholder would invest RMB0.5 million and provide design and development, technical supports and know-how of pulping and papermaking equipment and hold 85.0% equity interests in the Fibre. The principal business of the Fibre is to engage the design, manufacture and sales of pulping and papermaking equipment and provision of the after-sales services. As at 30 June 2021, the Group have paid the cash consideration of RMB5.0 million.

Borrowing and charges of assets

As at 30 June 2021, the Group's borrowings were approximately RMB53.0 million (30 June 2020: approximately RMB107.2 million) which will be repayable within 1 year. Such loans were all denominated in RMB, and bore an interest range of 5.1% to 8.4% per annum (30 June 2020: all denominated in RMB, and bore an interest range of 3.75% to 7.2% per annum).

As at 30 June 2021, the Group's convertible bonds was approximately RMB81.3 million (30 June 2020: approximately RMB91.2 million) which will mature on 30 November 2021 and the interest rate is 12.0% per annum.

As at 30 June 2021, 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 RMB59.5 million, RMB104.0 million and RMB75.4 million respectively (30 June 2020: approximately RMB63.1 million, RMB110.0 million and RMB77.1 million respectively).

Gearing ratio

The gearing ratios as at 30 June 2021 and 2020 were approximately 7.2% and 15.8%, respectively. The decrease in gearing ratio was mainly attributable to a decrease in the Group's interest-bearing loans from approximately RMB107.2 million as at 30 June 2020 to approximately RMB53.0 million as at 30 June 2021 and proceeds from issue of shares amounting to RMB82.7 million on 10 May 2021. Based on the gearing ratio as at 30 June 2021, the Group still maintained a good financial position.

Gearing ratio is calculated based on the total interest-bearing loans (excluding the convertible bonds) at the end of the year divided by total interest-bearing loans plus total equity at the end of the respective year and multiplied by 100%.

Trade and other receivables

Trade and bills receivables decreased by approximately RMB86.1 million from approximately RMB563.7 million as at 30 June 2020 to approximately RMB477.6 million as at 30 June 2021, primarily due to most of customers settled the receivables in accordance with the contract terms for the year ended 30 June 2021 as the paper industry is recovering. The provision for impairment of trade receivables and other receivables decreased by approximately RMB5.1 million to approximately RMB96.2 million and increased by approximately RMB0.7 million to approximately RMB28.1 million, respectively, for the year ended 30 June 2021 as compared with last year. The Group will strengthen customer credit risk management to guard against the increased in bad debt provision, and will take legal action if necessary.

Capital Expenditure

For the year ended 30 June 2021, the Group's capital expenditure amounted to approximately RMB7.9 million (2020: RMB5.8 million). The capital expenditure of the Group for the year was mainly used to recognition of right-of-use assets in relation of leasing an office and purchase of machines.

COMMITMENTS

As at 30 June 2021, the Group had no material capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2021, 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 RMB is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. 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.

Management Discussion and Analysis

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2021, the Group had 301 employees (30 June 2020: 296 employees), including the Directors. Total staff costs (including Directors' emoluments) for the year ended 30 June 2021 were approximately RMB54.4 million, as comparable to approximately RMB52.8 million for the year ended 30 June 2020. 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 year, the Group continued its commitment to employees' training and development programme.

FUTURE PROSPECTS

According to the Central Economic Work Conference in May 2021, China aims to peak CO2 emissions by 2030 and achieve carbon neutrality by 2060. Green development has become a major development trend for all industries. The Group will continue to rely on our innovative equipment and research investment to assist paper manufacturers to achieve carbon neutrality.

Moreover, the Group will also strengthen the development of green business. Against the backdrop of carbon neutrality, the recycled metal business has high compatibility with the task of reducing carbon emissions, and will benefit from China's national development and policy support. Enterprises can reduce carbon emission costs by using recycled resources. In addition, recycled resources can make up for the gap of resources shortage due to the hampered expansion of energy-intensive industries and the ban on the shipment of foreign waste. In view of the rising metal prices in the past year, the Group started to engage in metal scrap trading as the first step to expand the Group's recycled metal business. Through the connection of Mr. Fang Hui, an executive director of the Group, the Group has started to contract with new suppliers (especially metals) and customers (in the PRC and globally) of waste materials. Our current focus is to expand its supplier and customer base to obtain industry information on more types of recyclable metals and lay a better foundation for its future development.

USE OF PROCEEDS FROM THE LISTING BY WAY OF PLACING

From the listing date to 30 June 2021, 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 30 June 2021 RMB'000	Actual use of proceeds from the listing date to 30 June 2021 RMB'000	Unused proceeds RMB'000	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 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.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This is the Environmental, Social and Governance ("ESG") Report (the "ESG Report") of the Group for the year ended 30 June 2021, which outlines the principles and sustainably philosophy of the Group in fulfilling its corporate social responsibility ("CSR") and illustrates the relationship between the Group and its major stakeholders with a vision and commitments for its CSR.

The Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The management will regularly report the relevant state to the Board.

During the year ended 30 June 2021 (the "Reporting Period"), the Group continued to improve its performance in fulfilling its CSR through diversified measures. The ESG report provides details of the Company's policies and practices in two aspects namely environmental and social for the Reporting Period.

REPORTING PRINCIPLES

To respect to the reporting principles, the Group ensures that ESG issues discussed in this Report are sufficiently important and material to investors and stakeholders including but not limited to shareholders, governments, employees, clients, suppliers and communities.

In order to determine what issues are relevant and material to our business with respect to sustainability, the Group is aware that the key is to understand what issues that the stakeholders concerned most. Therefore, the Group defines the stakeholders as people who affect our business or who are affected by our business. In the daily operational business, the Group actively exchange information with the stakeholders through the transparent platform while the Group is devoted to continuous improve the communication system. In addition, the Group is committed to maintaining a long-term relationship with its stakeholders and are actively engaged in addressing their concerns with timely follow-up actions. The Group is dedicated to create a sustainable growth for the benefits of all our stakeholders.

SCOPE OF THE ESG REPORT

The Groups core business is engaged in the design, manufacture and sale of cylinder blocks and cylinder heads in the PRC. The data disclosed in the ESG Report was collected from the main office and the production plants of the Group in the PRC. The Group will continue in assessing the impacts of its business on the major ESG aspects and to include in the ESG Report.

REPORTING FRAMEWORK

The Group has prepared the ESG report pursuant to the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules. The ESG Report adhere to the reporting principles of the ESG Reporting Guide, and complies with the "Comply or Explain" provisions therein. In view of our first time disclosure of certain key performance indicators ("KPIs"), which is considered as material by the Group, during the Reporting Period, the Group will continue to optimize and improve the disclosure of KPIs.

ACCESS OF THE ESG REPORT

The ESG report is released in both printed and online versions. The online version is available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.hzeg.com).

This report is released in both English and Chinese versions. Should there be any discrepancies between the two versions, the English version shall prevail.

CONTACT INFORMATION

We highly appreciate and welcome your feedback on the ESG Report so that we may meet the stakeholder's interests and for our sustainability initiatives. For any enquires or recommendations, please forward to us at Room 805A, 8/F, Tower 1, 75 Mody Road, Tsim Sha Tsui, Hong Kong or by email at ir@hzeg.com.

STAKEHOLDER ENGAGEMENT

Communication with stakeholders is very important to the Group. The Group has identified the key stakeholders, including shareholders, government and regulatory authorities, employees, business partners, the public and the community. The table sets out the communication channels and expectations of the major stakeholders.

Major stakeholders	Communication Channels	Expectations
Shareholders	• Annual general meeting and other shareholder meetings • Annual report and interim report • Announcements and circulars • Company's website • Meeting with investors	• Return on investment • Information disclosure and transparency • Protection of shareholders' rights and fair treatment of shareholders
Government and regulatory authorities	• Policy guidance • Response to public consultation in writing • Meeting	• Compliance with laws and regulations • Implementation of relevant regulatory policies, such as production safety, environmental protection and social responsibility • Proper tax payment
Employees	• Regular meetings and training • Performance assessment • Staff newsletters and broadcasts • Labour union	• Salary and welfare • Safe working environment • Fair career development opportunities
Customers	• Regular meetings • Site visit • Exhibition • Email	• High quality products and services • Group reputation and brand image
Business partners	• Business partner meetings • Site visit • Email • Tendering process • Purchase review	• Long-term partnership • Win-win cooperation • Fair purchase • Timely payment
The public and the community	• Site visit • Email • public newsletters and broadcasts	• Volunteer • Community visit • Donate

ENVIRONMENTAL

Environmental Policy

The production of the Company industrial automation systems and sludge treatment products mainly involves the assembly of parts and components, and such production processes are subject to various PRC environmental laws and regulations such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (中華人民共和國固體廢物污染環境防治法).

As advised by our PRC Legal Advisers, our operations in the PRC are subject to, among others, the following environmental laws and regulations: (i) the Environmental Protection Law of the PRC (中華人民共和國環境保護法); (ii) the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法); (iii) the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國污染防治法); (iv) the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (中華人民共和國固體廢物污染環境防治法); (v) the Law of the PRC on the Environmental Impact Assessment (中華人民共和國環境影響評價法); and (vi) the Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例).

The Company pledges to uphold quality management and implement policies for conserving resources and managing waste. The Company has established the following policies in compliance with environmental regulations:

1. The Company obtained the ISO14001 Environmental Management System certifications – implemented internal procedures to prevent and manage pollution.

2. The Company commits to fulfill and comply with national and regional environmental protection regulations and establishes self-regulating frameworks and standards accordingly.

ENERGY CONSERVATION AND EMISSION REDUCTION

Reducing energy consumption and improving energy efficiency are keys to slowing down global climate change, and therefore the Group strives to improve its energy saving performance on operation.

Wastes Control

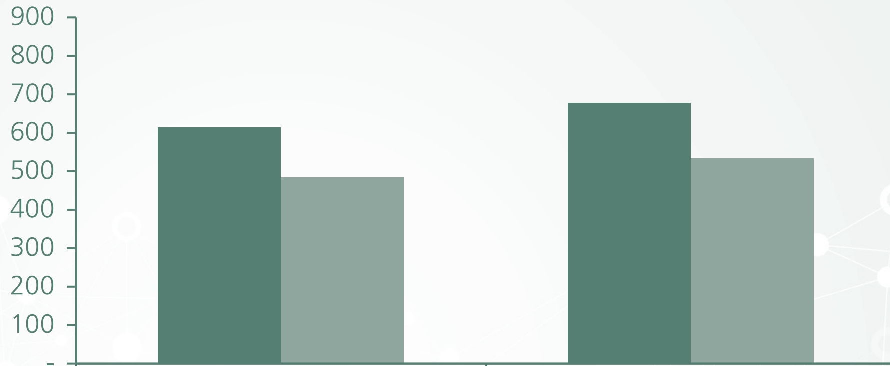
The Group produced various hazardous liquid waste and solid wastes in the course of manufacturing, which amounted decreased by 61.0% to approximately 0.96 tonnes for the year (2020: approximately 2.46 tones), consisting of various chemicals and wastes, such as spray water of paint room, scraps and waste packaging used in the manufacture of products. For such hazardous substance, the Group primarily cooperated with qualified units for its centralized and regular treatment.

To ensure that the Group comply with the applicable environmental laws and regulations, we have implemented internal procedures to prevent and manage pollution. The Group conduct regular testing in relation to air, noise and waste water emitted or produced to ensure that our pollution levels are within the allowed levels as stipulated in the relevant PRC laws and regulations.

Power Consumption Control

The headquarters and other offices of the Group all adhere to the principle of energy conservation and environmental protection. Each office of the Group has formulated a guideline on the use of airconditioners, where heaters are allowed in winter only when the temperature is below 0°C, and airconditioning are allowed during summer when the temperature is above 30°C.

Power consumption and corresponding carbon emission



	2020	2021
■ Power consumption (kWh in '000s)	614.02	677.86
■ Carbon emission (tonnes)	483.70	533.99

Water Consumption Control

The Group treasures water resources and is committed to controlling water consumption and avoiding wastage.

Water consumption and corresponding carbon emission

	2020	2021
■ Water consumption (Kiloton)	8.54	9.25
■ Carbon emission (tonnes)	3.50	3.79

During the year ended 30 June 2021, the total power consumption of the Group was approximately 677,860 kWh, and the density was approximately 1,306.4 kWh/output value of RMB million and total water consumption was approximately 9,250 tonnes and the density was approximately 17.8 kg/output value of RMB million.

The total power consumption and total water consumption increased by approximately 17.0% and approximately 20.5% for the year ended 30 June 2021, as compared with the last year, respectively. Such increase was mainly because business growth of the Company.

Packaging materials

The Group does not use cartons, paper and plastics as packaging materials. Therefore, the Group does not consume packaging materials.

The Group will continue to closely monitor the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

SOCIAL

Employees

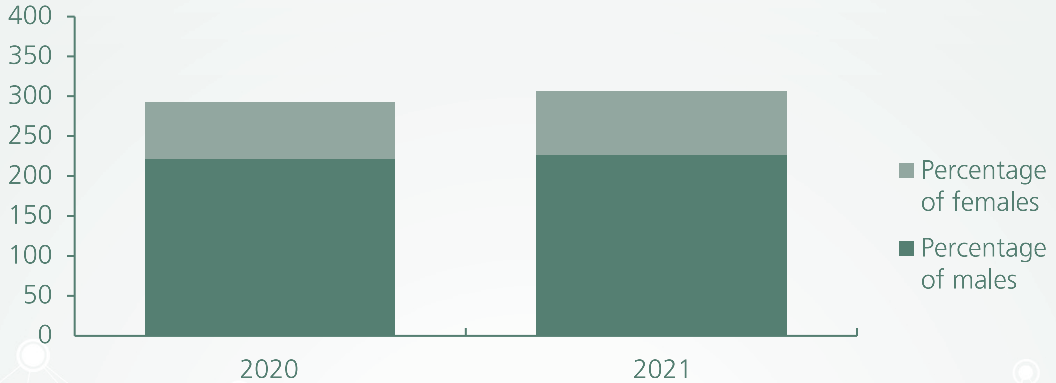
The Directors and management team, comprising experienced professionals that possess extensive technical and industry experience, has a proven record of successfully operating and expanding the business. Therefore, the Group ensures the remuneration package of Directors and the management are reasonable and competitive in the market and the Group believes that its long-term growth depends on the expertise, experience and development of our employees. The salaries and benefits of the employees depend primarily on their type of work, position, length of service with us and local market conditions. In order to improve our employees' skills and technical expertise, the Group provides regular training to our employees depending on their position in the Group. Besides these, the Group has formulated detailed regulations in its employee manual with respect to promotion, dismissal, working hours, vacations and annual leaves and other aspects.

During the year, talent management was the key focus of the Group's human resources strategy. As at 30 June 2021, the Group employs 301 employee The following table sets forth the number and breakdown of our full-time employees by function as at 30 June 2021:

	Number of employees
Production	64
Technical and Research and development	119
Sales and marketing	25
Procurement and warehouse	7
Maintenance services	8
General administration and management	59
Quality control	7
Accounting and finance	12
Total	301

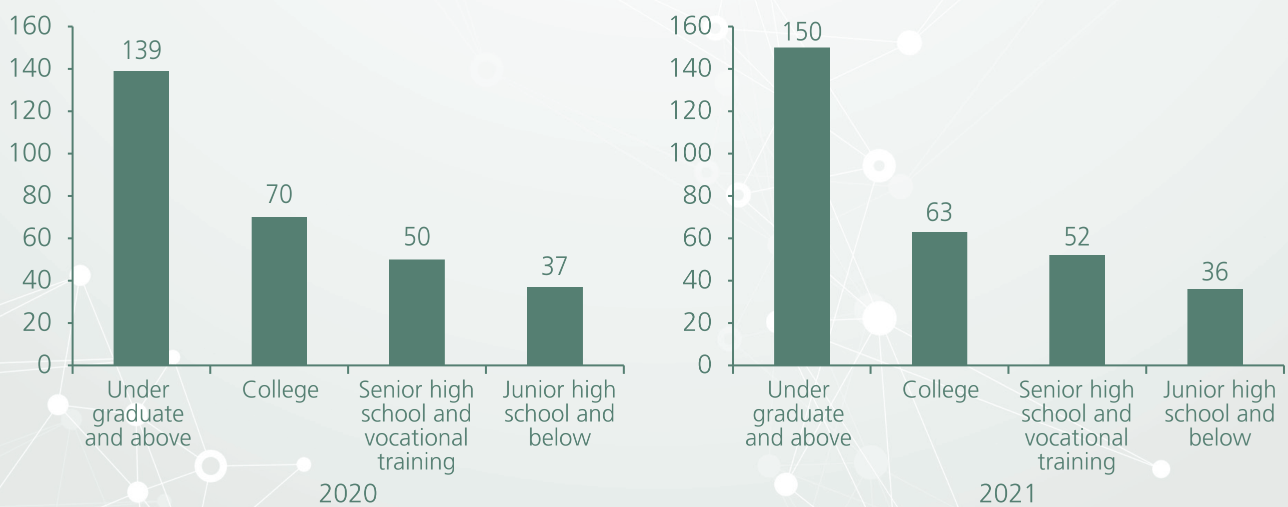
EMPLOYMENT STATISTICS BY GENDER, AGE AND EDUCATION LEVEL

Distribution of employees by gender



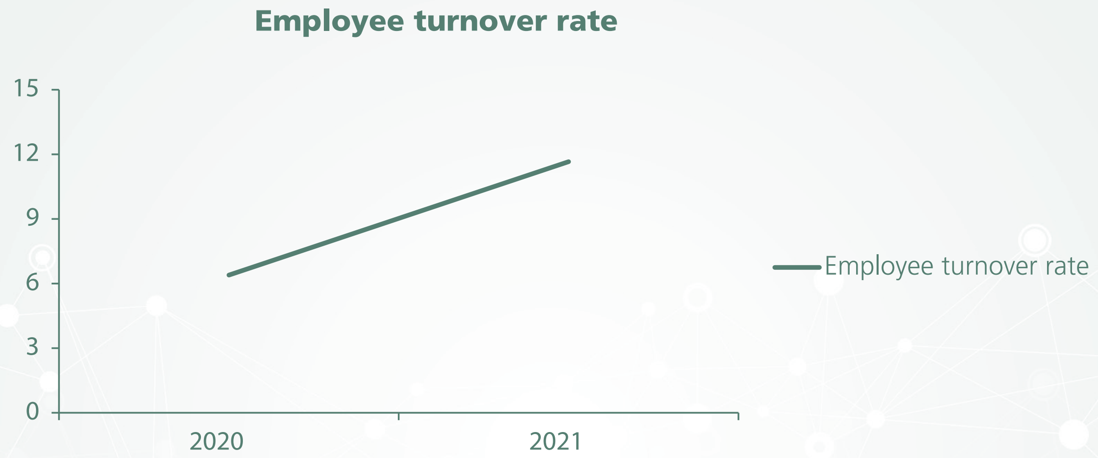
Distribution of employees by age

Distribution of employees by education level



Benefits

To attract, motivate and retain talents, the Group has set up a compensation and benefits management system, and regularly reviews the compensation and benefits packages of employees to ensure their competitiveness in the market. The employment benefits provided by the Group include pension, medical insurance, high temperature subsidy, labour protection and training subsidy.



OCCUPATIONAL HEALTH AND SAFETY

Safety Management System

The Group is subject to various production safety rules and regulations in the PRC. The Group are committed to providing a safe and non-hazardous working environment for all staff. The Group are subject to the relevant PRC laws and regulations regarding production safely, including the principle law governing the administration of production safety in the PRC, namely the PRC Production Safety Law (中華人民共和國安全生產法) which took effect on 1 November 2002. In order to ensure occupational safety and health of our employees in the process of production, the Group has implemented various safety guidelines and operating procedures for our production process to ensure safe operation of our production facilities and to prevent injuries. The Group conducts regular and thorough worksite inspection to eliminate potential hazards in our work environment, and installation of first-aid cases at production sites, use of labour protective equipment. The Group also provides mandatory safety training to all new employees prior to commencement of work. Furthermore, the Group provides our employees with occupational safety education and training such as the provision of periodic training courses on self-rescue and escape to employees to enhance their awareness of safety issues from time to time. We have also undertaken accidental insurance policies for our employees. The Group has obtained certifications for the following management systems, namely: (i) ISO 14001:2004 Environment Management System; and (ii) OHSAS 18001:2007 Occupational Health and Safely Management System, for the Group business operations.

As part of our internal control measures, the Group has set up a work injury and accident administration system for the management, report, investigation and settlement of work injuries and accidents, and which prescribes in detail the procedures for handling an accident at different stages so that all the employees involved in an accident will have a clear guidance should an accident occur.

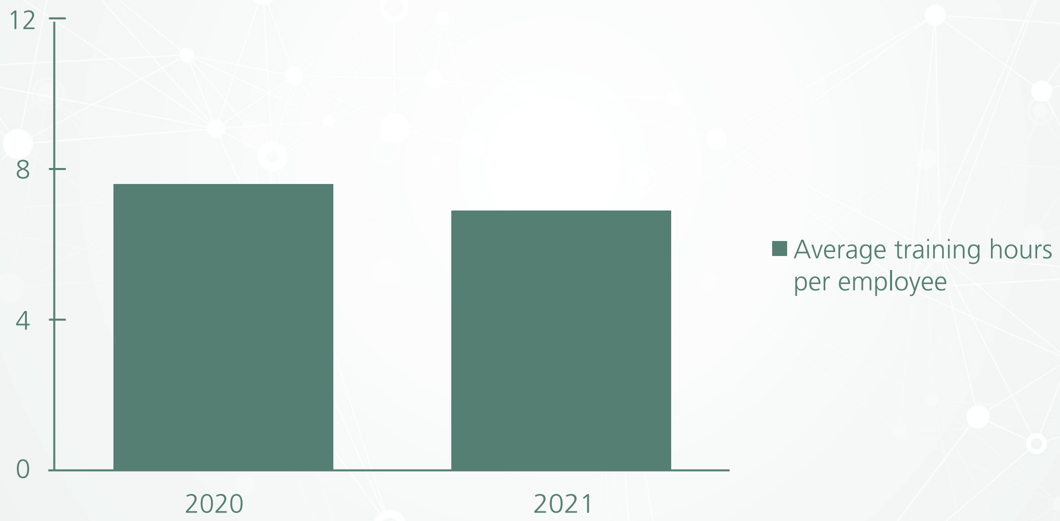
As at 30 June 2021, there were no any injury cases in Tongxiang.

Save as disclosed herewith, the Group has not experienced any other material accident in our production nor suffered any claims for personal or property damages during the year, and our PRC Legal Advisor has confirmed that the Group is in compliance in all material respects with applicable laws relating to labor safety matters in the PRC.

Employee training and development

The Company has established a comprehensive training system and mechanism to provide on-job teaching and training for its employees, in order to enhance their knowledge and skills. The training mainly consist of orientation training, on-job training and external training.

Average training hours per employee



Employees Practices

Almost 99.9% of employees hired by the Group have been located in the PRC. The Company strictly complies with the requirements of the Labour Law of the PRC without violating the relevant rules and regulations:

1. Workers' wages, overtime payments and related benefits are made in accordance with the local minimum wage (or above);

2. Holidays and statutory paid leaves are compliant with the requirements of the PRC; and

3. The Company treats all the employees equally, and their employment, remuneration and promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political faction and marital status.

Fair Recruitment

The Group recruit staff based on a fair, open and impartial principle to ensure the recruitment and selection process is objective and consistent. The Company only take into account an individual's competence, regardless of the age (no recruitment of minors under the age of 16), nationality, race, gender, religion, pregnancy or disability. This process avoids any employment discrimination and offers equal employment opportunities to all candidates.

Employment

The Group stringently comply with all national and local laws, such as the Labor Law, Labor Contract Law and Employment Promotion Law of the PRC. We legally abide by labour policies and eliminate any malpractice such as the use of child labour or forced-labour workers.

RELATIONSHIPS WITH CUSTOMERS

Through the efforts of sales and marketing team, the Group have established solid relationships with its major customers for periods over five years. The customers of the Group are primarily large paper-making enterprise located in the PRC.

SUPPLY CHAIN MANAGEMENT

The Group recognise that supply chain management is essential in improving operational efficiency, and therefore we work closely with the suppliers to meet customers' needs in an effective and efficient manner, while emphasizing responsible operating practices.

We source parts and components such as inverters, control panels and cooling fans for the production of our industrial automation systems from our suppliers. We also purchase parts and components such as high pressure relief valves, piston pumps and steel-belts for the production of our sludge treatment products. In selecting our suppliers, we consider a number of factors, including but not limited to their technical capabilities, competitiveness in price, financial condition, reputation in the industry, environmental protection policy and our working relationship. The credit period offered by our suppliers of parts and components generally ranges between 15 days and 60 days, depending on the nature, the number of years of business relationship and the amount of our purchasers. The Group had relationship of one to eight years with our five largest suppliers and the Group did not rely on any single supplier for raw materials or key components.

Selection of suppliers – suppliers are chosen based on their ability to guarantee good product quantity and quality, reasonable prices, timely delivery and good services. When selecting and evaluating potential suppliers, we require them to arrange for site visits and request for samples of the materials to be supplied to us to ensure that the materials and the quality of their service meet our requirements. We also conduct quality control inspections on parts and components and other materials supplied prior to their use. When parts and components are delivered to us by our suppliers, we conduct sample checks to ensure that they meet our specifications and quality requirements. Any parts and components that fail to meet our requirements will be returned to the supplier.

QUALITY CONTROL AND MANAGEMENT PRODUCT RESPONSIBILITY

Quality Control

According to the Provisions on the Administration of Compulsory Product Certification (強制性產品認證管理規定) issued by the State Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) in 2001 and renewed in 2009, most of the parts and components required for the production of the motor control centre are listed on a directory of products subject to Compulsory Product Certification. Therefore, it was necessary to obtain the China Compulsory Certificate (the "3C Certificate") (強制性產品認證) to manufacture our motor control centre. We have obtained all 3C Certificates necessary for the production of our motor control centre as required by the Provisions on the Administration of Compulsory Product Certification.

Product testing – prior to delivery, we will conduct in-house testing on all finished products. Products which do not meet the relevant quality standards will be re-worked and are subject to the in-house testing again after the re-work.

Staff training – our staff receive training relating to the relevant ISO standards.

We have internal control system to record and handle customer's complaint on product quality. If we receive any complaint on our product quality, staff in the sales department will record all the details and inform the responsible person of the relevant department(s) to investigate the reason for the product quality issue and design measures to rectify the issues and prevent the occurrence in the future. The measures will be passed to the management for approval and implementation.

Warranty period

The sales contracts for our industrial automation systems and sludge treatment products normally stipulate a warranty period of either 18 months from the date of delivery, or 12 months after completion of on-site testing, whichever is earlier. During the warranty period, on-site engineering and maintenance services, and/or the repair and replacement of certain spare parts and components are provided free-of-charge by our engineers. Upon the expiry of the warranty period, our customers will pay us the remaining 5% to 10% of the contract value.

Procurement and receipt of raw materials

Once the project design has been completed, the project implementation team will, based on the detailed project design, determine the procurement of the necessary raw materials, set out the production sequence and allocate the necessary personnel. The procurement team will procure raw materials based on the project implementation plan. Procurement arrangements are entered into with our suppliers for the purchase of the necessary raw materials required for each individual project after we have entered into sales contracts with our customers. This will ensure the timely delivery of raw materials in accordance with the production schedule and avoid any fluctuations in the prices of the raw materials during the course of the project.

INTELLECTUAL PROPERTIES

Since the intellectual property rights authorized for our use are material and consist mainly of trade secrets, to guard our interests, we require all of our employees, including management personnel, research and development personnel, technical personnel, sales personnel and production workers to execute a confidentiality agreement which covers a wide range of confidential information including technical plans and reports, project design, circuit design, manufacturing methods, commercial secrets, industrial processes, technical standards, measurement software, database, product designs, and records of research design and development. As at 30 June 2021, the Group had a total of 127 registered patents (including 26 invention patents, 72 utility model patents and 29 software copyrights.

Bribery, corruption and other misconduct

The Group's employee handbook regulates our employees' conduct with respect to conflicts of interest, bribery, corruption and other misconduct. The Group provides regular training for our employees to emphasize the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. An effective whistle blowing policy is also in place to minimize the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace.

The Group has complied with major relevant laws and regulations including Hong Kong's "Prevention of Bribery Ordinance" and the Mainland's "Corruption Ordinance of the People's Republic of China".

During the year ended 30 June 2021, the Group was not aware of any non-compliance with relevant laws and regulations related to anti-corruption.

Environmental, Social and Governance Report

COMMUNITY INVOLVEMENT

The Group strives to improve the society through community involvement. Both management and employees of the Group have been eager to take their own initiatives in helping and supporting the local communities and neighbors.

During the year, the Group sent the employee representatives to join pairing help families with "Heart warmer" activities.

FUTURE DIRECTION

The Group recognises the importance of corporate social responsibilities, and strives to improve its performance in this aspect going forward. As our businesses continue to expand, the Group will strive to promote our corporate social responsibilities initiatives to all operation units and communities where our businesses are located.

The Group will continue to work hard on various aspects to improve our performance in corporate social responsibilities, including:

– Continue to reinforce and comply with sustainable environmental practices; and

– Continue to enhance the occupational health & safety standards; and

The Group will regularly review this corporate social responsibilities policy to ensure the corporate social responsibilities initiatives and performance address the needs of the society in this ever-changing environment.

The Directors hereby presents the annual report together with the audited consolidated financial statements of the Group for the year ended 30 June 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by segments is set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 30 June 2021 and the financial information of the Group as at 30 June 2021 are set out in the audited financial statements of this report.

BUSINESS AND FINANCIAL REVIEW

The business and financial review of the Group for the year ended 30 June 2021 and a discussion on the Group's future development are set out in the section head "Management Discussion and Analysis" on pages 11 to 21 of this annual report. The analysis of the key financial performance indicators of the Group is also shown in "Management Discussion and Analysis" section of this annual report.

KEY RISKS AND UNCERTAINTIES

Please refer to Note 3 to the consolidated financial statements for details of the main financial risks faced by the Group and the Group's management objectives and policies regarding such risks. In addition to such financial risks, the Directors are of the view that demands on our products and services, fluctuation in costs of raw materials and difficulty in obtaining financing are also major of the principal risks and uncertainties that may affect the Group's business.

DEMAND FOR PRODUCTS AND SERVICES

The demand for our industrial automation systems depends significantly on the level of installation, replacement and maintenance activities of the paper-making factories in the PRC, which in turn depends on the level of capital spending by such paper-making factories. However, there is no assurance that the fixed asset investment in relation to purchase of equipment in the paper-making industry in the PRC will continue to grow at the rate as we anticipate or that its growth will be steady in the future. Any decrease in the level of capital spending by the paper-making factories in the PRC may have a direct impact on our results of operations.

Fluctuations in costs of raw materials

The prices at which we purchase our raw materials are based on prevailing market prices which are primarily affected by market supply and demand, the conditions of which may fluctuate from time to time. Fluctuations in the prices of raw materials consumed for the production of our industrial automation systems and sludge treatment products may have a direct impact on the results of our operations. Such price fluctuations may be due to various factors beyond our control, including the global economic and market conditions and changes in the PRC government's policies.

Difficulty in obtaining financing

Our Group's ability to obtain bank financing or to access the capital markets for future offerings may be hindered by our Group's financial condition at the time of any such financing or offerings, as well as by adverse market conditions resulting from, among other things, general economic conditions, credit tightening policies, contingencies and uncertainties that are beyond our Group's control. Our Group's failure to obtain the necessary financing could impact our results of operations, financial condition and our ability to pay dividends.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 30 June 2021, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

ENVIRONMENTAL PROTECTION

The environmental protection policy adopted by the Group is set out in the section head "Environmental, Social and Governance Report" on pages 22 to 34 of this annual report.

RELATIONSHIP WITH OUR STAFF , CUSTOMERS AND SUPPLIERS

The Directors are of the view that our staff is one of the most valuable assets of our Group and have contributed to the success of the Group. Since its establishment, we have not experienced any disruption to its business operations as a result of labour disputes, nor has it experienced any material difficulty in recruiting or retaining its experienced staff. The Directors believe that we have maintained a very good relationship with our staff.

Through the efforts of sales and marketing team the Group have established solid relationships with many of our long-term customers for periods ranging from three to seven years. During the year, most of our major customers were located in Mainland China. We continue to maintain such relationships by conducting periodic visits to understand the construction needs of our customers and learn about their new projects.

The Group is in good relationship with its suppliers. The procurement department maintains a list of qualified suppliers. The qualified suppliers are selected based on our internal control system to record and handle customer's complaint on product quality. If we receive any complaint on our product quality, staff in the sales department will record all the details and inform the responsible person of the relevant departments to investigate the reason for the product quality issue and design measures to rectify the issues and prevent the occurrence in the future. The measures will be passed to the management for approval and implementation. The procurement department is responsible to review and update the list of qualified suppliers annually.

FINAL DIVIDEND

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

The Board does not recommend the payment of a final dividend for the year ended 30 June 2021 (2020: nil).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") to allow shareholders of the Company (the "Shareholders") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

Determination Mechanism

Subject to the approval of the Shareholders and requirement of the relevant laws, the Company shall pay annual dividends to the Shareholders if the Group is profitable, the market environment is stable and there is no significant investment or commitment made by the Group. The Company has no fixed dividend policy specifying a dividend payout ratio. The declaration, payment and amount of dividends will be subject to our discretion, taking into consideration the criteria described below. The remaining net profits will be used for Group's development and operations. This dividend policy allows the Company to declare special dividends from time to time in addition to the annual dividends.

The Company's ability to pay dividends will depend upon, among other things, the Group's current and future operations, financial position, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, dividends received from the Company's subsidiaries and associates, as well as any other conditions or factors which the Board deems relevant and having regard to the directors' fiduciary duties.

Approval and Payment Procedures

Details of the procedures have been set out in Articles 133 to 142 of the Company's Articles of Association posted on the website of the Company.

Review and Monitor of this Policy

The form, frequency and amount of dividend payment by the Company are subject to any restrictions under the Cayman Islands laws and the Company's Articles of Association. The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and this dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 November 2021 (Friday) to 24 November 2021 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 18 November 2021 (Thursday).

During the period mentioned above, no transfers of shares will be registered.

Directors' Report

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 24 November 2021. Shareholders should refer to details regarding the AGM in the circular of the Company, the notice of AGM and form of proxy accompanying thereto to be dispatched by the Company.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in Note 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 30 June 2021, 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 0.11% of the total number of issued shares of the Company as at 30 June 2021.

Month of repurchases	Number of Shares purchased on the Stock Exchange	Price paid per Share		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$
July 2020	698,000	2.2	1.84	1,402,635
September 2020	206,000	1.22	1.03	235,090
October 2020	58,000	1.37	1.32	77,601
	962,000			1,715,326

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 year ended 30 June 2021.

PLACING OF NEW SHARES AND SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

On 2 March 2021, the Company and Dao He Investment Limited (the "Subscriber"), a company incorporated in the British Virgin Islands with limited liability, entered into a subscription agreement pursuant to which the Company has agreed to allot and issue, and the Subscriber has agreed to subscribe for, an aggregate of 153,846,153 ordinary shares as subscription shares (with a nominal value of HK$1,538,461.53) at the subscription price of HK$0.65 per subscription share(the "Subscription Agreement"), which was already approved at an extraordinary general meeting held on 28 April 2021. Since 29 April 2021, Mr. Fang Hui, the ultimate beneficial owner of the Subscriber, was appointed to act as executive Director of the Company.

The subscription price of HK$0.65 per subscription share represents:

(i) a discount of approximately 22.62% to the closing price of HK$0.840 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;

(ii) a discount of approximately 23.17% over the average closing price of approximately HK$0.846 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;

(iii) a discount of approximately 22.62% over the average closing price of approximately HK$0.840 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;

(iv) a discount of approximately 64.86% to the closing price of HK$1.85 per Share as quoted on the Stock Exchange on the 12 April 2021 ("Latest Practicable Date");

(v) a discount of approximately 29.8% to the audited consolidated net asset value of the Group of approximately RMB0.78 per Share as at 30 June 2020 (equivalent to approximately HK$0.93 based on the exchange rate on the Latest Practicable Date) and calculated based on the audited consolidated net assets of the Group of approximately RMB570,975,104 as at 30 June 2020 as extracted from the annual report of the Company for the year of 2020 and the number of issued Shares as at the Latest Practicable Date); and

(vi) a discount of approximately 33.0% to the unaudited consolidated net asset value of the Group of approximately RMB0.82 per Share as at 31 December 2020 (equivalent to approximately HK$0.97 based on the exchange rate on the Latest Practicable Date) and calculated based on the unaudited consolidated net assets of the Group of approximately RMB601,560,069 as at 31 December 2020 as extracted from the interim report of the Company for the six months ended 31 December 2020 and the number of issued Shares as at the Latest Practicable Date).

Taking into account the Company's expenses for the subscription, the net price is approximately HK$0.65 per share.

Directors' Report

Starting in early 2018, the Government of China began the process of banning the import of foreign waste materials (including recyclable plastics, waste paper and scrap metal) for recycling and until recently, the Government of China implemented a complete ban of import of solid wastes. For decades, China was the world's largest importer of waste. The import ban policy caused the world's major waste-exporting countries to scramble for alternative destinations and for investors to consider getting in on recycling business in both developed and emerging countries. As one of the Group's major segments, the Group's "Environmental Products" segment provides comprehensive treatment for wastewater, sludge, and solid waste produced in paper-making companies. The Company considers that the waste recycling is not a new business segment for the Company and the potential market for this business is considerably large given the amount of global waste. Hence, for some years, the Company has been looking to expand the Group's environmental services business by investing in and establishing waste recycling plants outside China using the existing skills, technology and expertise of the Group.

The net proceeds from the issue of the subscription shares will be HK$100 million. The Company intends to use the net proceeds to fund part of its investment in the waste recycling plants outside China. It is estimated that the Group would start to use the proceeds from the subscription after the commencement of recycling project in Dubai, United Arab Emirates ("Dubai Recycling Project") and the proceeds will be fully utilised towards the costs of purchasing and leasing plants and machineries in early 2022.

On 8 June 2021, the Group decided to temporarily use the proceeds from the subscription as working capital to purchase waste material for processing and/or re-sale. It was due to the continuing travel restrictions imposed for COVID-19, the Group cannot yet make progress on the development of the Dubai Recycling Project. Hence, in the short term, it was unlikely that the Company would need to spend the proceeds from the subscription on capital expenditure for the Dubai Recycling Project. The temporary use of the proceeds from the subscription as additional working capital should not affect the ability of the Company to deploy the funds for capital expenditure for the Dubai Recycling Project when required.

As at 30 June 2021, the Group has temporarily used the proceeds from the subscription of approximately 13.1 million as working capital to purchase waste material for processing and/or re-sale and the unused balance of approximately HK$86.9 million was currently placed into deposits and/or money market instruments, which will be remains to use for potential acquisition of the Group in the future.

Reference is made to the announcements of the Company dated 2 March 2021, 28 April 2021 and 10 May 2021, 8 June 2021 and the circular of the Company dated 13 April 2021 in relation to the subscription under specific mandate.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 28 and 29 to the consolidated financial statements.

As at 30 June 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amount to RMB540,822,066. The amount of RMB540,822,066 represents the Company's share premium, retained earnings and translation difference, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

BORROWINGS

Particulars of borrowings of the Group as at 30 June 2021 are set out in Note 24 and Note 27 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate amount of revenue from the Group's largest and five largest customers for the year ended 30 June 2021 represented approximately 24.6% (30 June 2020: 46.0%) and approximately 44.0% (30 June 2020: 62.0%), respectively, of the Group's total revenue from sales operations.

The aggregate amount of purchases from the Group's largest and five largest suppliers for the year ended 30 June 2021 represented approximately 13.6% (30 June 2020: 14.0%) and approximately 38.4% (30 June 2020: 40.0%), respectively, of the Group's total purchases.

None of the Directors or their respective associates, and none of the existing shareholders who owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers and suppliers.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Zhu Gen Rong (Chairman)
Mr. Wang Ai Yan (Chief Executive Officer)
Mr. Liu Chuan Jiang (resigned with effect from 7 May 2021)
Mr. Jin Hao (resigned with effect from 7 May 2021)
Mr. Fang Hui (appointed with effect from 29 April 2021)

Non-Executive Directors

Mr. Shi Chenghu (appointed with effect from 27 April 2021)

Independent Non-Executive Directors

Mr. Dai Tian Zhu (resigned with effect from 31 March 2021)
Mr. Kong Chi Mo
Mr. Heng, Keith Kai Neng
Mr. Yao Yang Yang (appointed with effect from 31 March 2021)

The biographical details of the Directors are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 7 to 10 in this annual report.

In accordance with the Articles, Mr. Wang Ai Yan, Mr. Fang Hui, Mr. Shi Chenghu, Mr. Heng, Keith Kai Neng, and Mr. Yao Yang Yang will retire at the 2021 AGM and, being eligible, will offer themselves for re-election at the 2021 AGM.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 30 June 2021.

DIRECTORS' SERVICE CONTRACTS

Each of executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 16 May 2013 and will continue thereafter until terminated in accordance with the terms of the contract, except that Mr. Wang Ai Yan has entered into a service contract with the Company for an initial term of three years commencing from 1 October 2014 and will continue thereafter until terminated in accordance with the terms of the contract and Mr. Fang Hui has entered into a service contract with the Company for an initial term of three years commencing from 29 April 2021 and will continue thereafter until terminated in accordance with the terms of the contract.

Non-executive Director, Mr. Shi Chenghu, has entered into a letter of appointment with the Company for an initial term of three years commencing from 27 April 2021 and can be extended in accordance with the terms of the contract.

Independent non-executive Directors are appointed for a term up to 30 June 2021 and will continue thereafter unless terminated by either party giving at least one month's notice in writing. The appointment period of them has been extended to 30 June 2024. Except that Mr. Heng, Keith Kai Neng and Mr. Yao Yang Yang has entered into a service contract with the Company for an initial term of three years commencing from 2 January 2019 and 31 March 2021, respectively, and can be extended in accordance with the terms of the contract.

Other than as disclosed above, no Director proposed for re-election at the forthcoming AGM has service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

On 8 June 2021, Huazhang Environmental Resources Investment Limited ("Environmental Resources"), an indirect wholly-owned subsidiary of the Company entered into a master sales agreement in relation to the provision of metal scraps by the Environmental Resources from time to time (the "Master Sales Agreement") with Taizhou Hengshengtianyue Metal Co., Ltd.* (台州恒晟天悦金属有限公司) (the "Customer") for a term of approximately 12 months, expiring on 30 June 2022. The Customer is owned as to 51% by Ms. Fang Aiping and 49% by Mr. Fang Anlin. As Ms. Fang Aiping and Mr. Fang Anlin are respectively an aunt and an uncle of Mr. Fang Hui, the executive Director and a substantial shareholder of the Company, the Customer is a connected person of the Company under the Listing Rules and the transactions contemplated under the Master Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Customer is one of the new customers which the Group intends to establish a relationship because it holds a AQSIQ permit which the Group currently lacks. AQSIQ permit is needed by the Group to export metal scraps into the PRC. The agreement would allow the Group to sell metal scraps to the Customer in the same way the Group is able to sell to non-connected persons of the Company.

During the year, the Group entered into certain transactions with the Customer, as follows:

Nature of transactions	Amount
Sales of metal scraps	RMB14,632,704

For the year ended 30 June 2021, the total amount of fees payable by the Customer and/or its subsidiaries to Environmental Resources for the metal scraps under the master sales agreement amounted to HK$17,176,955, which was within the annual cap of HK$18 million for the same period.

Save as disclosed herein, there were no transactions required to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

The continuing connected transactions have been subject to annual review by the Independent Non-executive Directors of the Company pursuant to Rule 14A.55 of the Listing Rules and confirmation of the auditor of the Company pursuant to Rule 14A.56 of the Listing Rules.

In respect of the financial year ended 30 June 2021, the Independent Non-executive Directors of the Company have concluded that the continuing connected transaction has been entered into:

- in the ordinary and usual course of business of the Company;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board has engaged the auditor of the Company to perform certain agreed-upon procedures on the aforesaid continuing connected transactions. Based on the work performed, the auditor has issued a confirmation letter to the Board in accordance with Rule 14A.56 of the Listing Rules in respect of the continuing connected transactions for year ended 30 June 2021 disclosed above:

1. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board.
2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes us to believe that the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group.
3. nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.
4. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries were made during the year.

RELATED PARTY TRANSACTION

Details of the related party transactions are provided under Note 33 to the consolidated financial statements of this annual report, and save as disclosed in the section headed "Continuing Connected Transactions" in this annual report which have complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules, none of which constitutes a discloseable connected transaction or continuing connected transaction as defined under the Listing Rules.

REMUNERATION OF THE DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the remuneration of the Directors of the Company and five highest paid employees are set out in Note 7 and 8 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The Group remunerates its employees based on their performance, experience and prevailing market rate. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performance.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of which are set out in the paragraph headed "Share Option Scheme" below.

A Mandatory Provident Fund (the "MPF Scheme") has been set up for employees in Hong Kong, in accordance to the Mandatory Provident Fund Ordinance. All employees in Hong Kong are required to join the MPF Scheme and the employees and its employer are each required to contribute 5% of their gross earnings with a current ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make required contribution under the scheme. No forfeited contribution is available to reduce the contribution payable in the future. The contribution charged to the statement of comprehensive income represents the contribution payable by the Group.

Employees of the Company's subsidiaries in the PRC are required to participate in defined contribution retirement schemes operated by local municipal governments. Contributions are made to the schemes in accordance to certain percentage to the applicable employee payroll.

Details of the retirement benefit schemes of the Group are set out in Note 2.22 to the consolidated financial statements.

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

In order to protect the Group's interest in its business activities, on 19 December 2014, each of Florescent Holdings Limited, Lian Shun Limited, Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang and Ms. Zhu Ling Yun, the controlling shareholders (the "Controlling Shareholders") of the Company, has entered into a non-competition undertaking (the "Deed") in favour of the Company, pursuant to which each of them undertakes and covenants with the Company that, for as long as it/he and/or its/his associates, directly or indirectly, whether individually or taken together, remain to be the controlling shareholders, it/he will not and will procure its/his associates not to directly or indirectly carry on, participate, engage or otherwise be interested in any business which is or may be in competition with the business of any members of the Group (the "Restricted Business") from time to time.

Each of the Controlling Shareholders has also covenanted to notify the Company shall he/she/it or his/her/its associates be offered or become aware of any business opportunity regarding the Restricted Business and shall provide the Company all necessary information. An independent board committee (the "Independent Board Committee") of the Company comprising all independent non-executive directors shall decide whether to accept such opportunity by simple majority, taking into account the Company's prevailing business, the financial resources required for the relevant opportunity and the commercial viability of such opportunity.

In this regard, each of the Controlling Shareholders has provided to the Company a written confirmation in respect of his/its compliance with the Deed for the year ended 30 June 2021. The independent non-executive directors of the Company who forms the Independent Board Committee have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Deed and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed given by the Controlling Shareholders.

As of the date of this annual report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed that are required to be brought to the attention of the shareholders of the Company.

The Company will continue to disclose in its further annual reports the status of compliance to the Deed as reviewed by the Independent Board Committee.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as the information set out in the section headed "Compliance of Non-competition Undertakings", during the year ended 30 June 2021 and up to the date of this report, none of the Directors or controlling shareholder or any of their respective associates, had engaged in any business that competes or is likely to compete with the business of the Group, or has any other conflict of interest with the Group.

SHARE OPTION SCHEME

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

1. Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contributions to the Group.

2. Participants

The Board may, at its discretion, invite any full-time or part-time employees including any executive, non-executive Directors, advisors, consultants of the Group to take up options.

3. Total number of shares available for issue under the Share Option Scheme

The maximum number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date (i.e. a total of 27,200,000 shares). The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme is 27,200,000 shares, representing 3.07% of the issued shares of the Company as at the date of this report.

4. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to a participant under the Share Option Scheme (including both exercise and outstanding options) in any 12-month period must not exceed 1% of the shares in issue from time to time.

5. Period within which the shares must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each participant provided that the period within which the option must be exercised shall not be more than 10 years from the date of the grant of option subject to the achievement of performance target and/ or any other conditions to be notified by the Board to each participant, which the board may in its absolute discretion determine.

6. Time of acceptance and the amount payable on acceptance of the option

The option will be offered for acceptance for a period of 28 days from the date on which the option is granted. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

7. Basis of determining the subscription price

The subscription price for the shares subject to options will be a price determined by the Board and notified to each participant and shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a day on which trading of the Company's shares takes place on the Stock Exchange (the "Trading Date"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the options; and (iii) the nominal value of a share.

8. Life of the Share option Scheme

The Share Option Scheme became valid and effective for a period of ten years commencing on the Listing Date subject to the early termination by passing an ordinary resolution in general meeting. After such period no further options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

As at 15 January 2019, a total of 19,000,000 share options (the "Share Options") have been granted to a Director and certain employees of the Group under the Share Option Scheme.

The following table discloses movements in the Company's share options outstanding under the Share Option Scheme:

For the year ended 30 June 2021

Name or category of participant	At 1 July 2020	Number of share options: Granted during the year	Exercised during the year	Lapsed/ expired during the year	Cancelled/ forfeited during the year	At 30 June 2021
Executive directors:						
Jin Hao (resigned on 7 May 2021)	450,000	-	-	-	-	450,000
Other Employees	18,550,000	-	-	-	-	18,550,000
In aggregate	19,000,000	-	-	-	-	19,000,000

During the year 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.

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 RMB'000
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.

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.

Directors' Report

If all such share options is exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.52% as at 30 June 2021.

During the year 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 15 January 2019 and this report.

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

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 a 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.

For more detail 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.

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

As at 30 June 2021, 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 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	Approximate percentage of shareholding
Mr. Zhu Gen Rong	The Company	Interest of a controlled corporation	295,422,000 shares (Note 1)	33.32%
		Beneficial owner	2,044,000 shares (Note 2)	0.23%
		Interest of people acting in concert	368,000 shares (Note 1)	0.04%
	Florescent Holdings Limited	Interest of a controlled corporation	37,790 shares (Note 3)	94.48%
	Lian Shun Limited	Beneficial interest	11,411,000 shares (Note 4)	50.56%
Mr. Wang Ai Yan (Note 4)	The Company	Interest of a controlled corporation	295,422,000 shares (Note 5)	33.32%
		Beneficial owner	368,000 shares (Note 6)	0.04%
		Interest of people acting in concert	2,044,000 shares (Note 5)	0.23%
	Florescent Holdings Limited	Interest of a controlled corporation	37,790 shares (Note 3)	94.48%
	Lian Shun Limited	Beneficial interest	3,860,000 shares (Note 4)	17.10%
Mr. Fang Hui	The Company	Interest of a controlled corporation	294,691,223 shares/underlying shares (Note 7)	33.23%
		Beneficial interest	7,440,000 shares (Note 7)	0.84%
Mr. Shi Chenghu	The Company	Beneficial interest	89,452,000 shares	10.08%

Notes:

1. The shares are registered in the name of Florescent Holdings Limited, a company owned as to 94.48% by Lian Shun Limited, which in turn is owned as to 50.56% 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.

2. The 2,044,000 shares which Mr. Zhu Gen Rong is interested in as beneficial owner.

3. Florescent Holdings Limited is owned as to 94.48% by Lian Shun Limited and as to 5.52% by Qunyu Limited.

4. Lian Shun Limited is owned as to 50.56% by Mr. Zhu Gen Rong, as to 17.10% by Mr. Wang Ai Yan, as to 14.80% by Mr. Liu Chuan Jiang and as 17.54% by Mr. Jin Hao.

5. The shares are registered in the name of Florescent Holdings Limited, a company owned as to 94.48% by Lian Shun Limited, which in turn is owned as to 17.10% 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.

6. The 368,000 shares which Mr. Wang Ai Yan is interested in as beneficial owner.

7. Dao He Investment Limited is an investment holding company beneficially owned by Mr. Fang Hui, being an executive Director. Dao He Investment Limited holds 294,691,223 shares including 140,845,070 new Shares upon full conversion of the Bonds. Mr. Fang Hui holds 7,440,000 Shares.

Save as disclosed above, as at 30 June 2021, 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 30 June 2021, so far as the Directors are aware, the interests and short positions owned by the following persons or institutions 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:

Long positions in the shares

Name of Substantial Shareholders	Capacity/Natural of interest	Number of Shares directly or indirectly interested	Approximate percentage of shareholding
Florescent Holdings Limited	Beneficial owner	295,422,000	33.32%
Lian Shun Limited	Interest of a controlled corporation	295,422,000 (Note 1)	33.32%
Mr. Zhu Gen Rong	Interest of a controlled corporation/Beneficial owner, person acting in concert	297,834,000 (Note 2)	33.59%
Mr. Wang Ai Yan	Interest of a controlled corporation/Beneficial owner, person acting in concert	297,834,000 (Note 3)	33.59%
Mr. Liu Chuan Jiang	Interest of a controlled corporation/person acting in concert	297,834,000 (Note 4)	33.59%
Ms. Zhu Ling Yun	Person acting in concert	297,834,000 (Note 5)	33.59%
Mr. Fang Hui	Interest of a controlled corporation/Beneficial owner	302,131,223 (Note 6)	34.07%
Dao He Investment Limited	Beneficial owner	294,691,223 (Note 6)	33.23%
Mr. Shi Chenghu	Beneficial owner	89,452,000	10.08%
Li Chao Wang	Interest of a controlled corporation	59,817,294 (Note 7)	6.75%
Rosy Ease Limited	Interest of a controlled corporation	59,817,294 (Note 7)	6.75%
Swift Fortune Holdings Limited	Beneficial owner	59,817,294 (Note 7)	6.75%
Gain Channel Limited	Interest of a controlled corporation	59,817,294 (Note 7)	6.75%
Song Min	Interest of spouse	59,817,294 (Note 8)	6.75%
F & L Holding (HK) Limited	Contract of transfer	170,000,000 (Note 9)	19.17%
Wealthy Land Investments Group Limited	Having a security interest in shares	411,872,000	46.45%

Notes:

1. The shares are registered in the name of Florescent Holdings Limited, a company owned as to 94.48% by Lian Shun Limited. Under the SFO, Lian Shun Limited is deemed to be interested in the shares held by Florescent Holdings Limited.

2. Florescent Holdings Limited is owned as to 94.48% by Lian Shun Limited, which in turn is owned as to 50.56% 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 94.48% by Lian Shun Limited, which in turn is owned as to 17.10% 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 94.48% by Lian Shun Limited, which in turn is owned as to 14.80% 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 are deemed to be interested in the Shares held by each of the other parties under SFO due to the acting-in-concert arrangement.

6. Dao He Investment Limited is an investment holding company beneficially owned by Mr. Fang Hui, being an executive Director. Dao He Investment Limited holds 294,691,223 shares including 140,845,070 new Shares upon full conversion of the Bonds. Mr. Fang Hui holds 7,440,000 Shares.

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. The framework agreement has been terminated as stated in announcement dated 26 May 2020.

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any interests or short positions owned by any persons 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 30 June 2021 was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

The audit committee was established on 6 May 2013. The primary duties of the audit committee are mainly to review the financial systems of the Group; to review the accounting policy, financial position and financial reporting procedures of the Group; to communicate with external auditors; to assess the performance of internal financial and audit personnel; and to assess the risk management and internal controls of the Group. The audit committee consists of three independent non-executive Directors namely, Mr. Kong Chi Mo, Mr. Heng, Keith Kai Neng and Mr. Yao Yang Yang. The audit committee is chaired by Mr. Kong Chi Mo.

The audit committee of the Company has discussed with the management and external auditors about the accounting principles and policies adopted by the Group and discussed risk management, internal controls and financial reporting matters including a review of the Group's consolidated financial statements for the year ended 30 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under the Listing Rules.

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this report, a permitted indemnity provision being in force for the benefit of the directors of the Company is in the Articles of Association of the Company. The Articles of Association is available on the website of The Stock Exchange of Hong Kong Limited.

AUDITORS

The auditor of the Company, PricewaterhouseCoopers, will retire, and being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming AGM. The consolidated financial statements for the year ended 30 June 2021 have been audited by PricewaterhouseCoopers.

Ernst & Young resigned as the auditor of the Company with effect from 21 December 2018 while PricewaterhouseCoopers has been appointed as the new auditor immediately to fill the casual vacancy following the resignation of Ernst & Young.

On behalf of the Board
Zhu Gen Rong
Chairman

Zhejiang Province, China
30 September 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value. Continuous efforts are made to review and enhance the Group's risk management, internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability. 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 Listing Rules for the year ended 30 June 2021.

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 year ended 30 June 2021 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

BOARD OF DIRECTORS

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. Board should ensure that changes to its composition can be managed without undue disruption. Board should include a balanced composition of Executive Directors and Independent Non-Executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. As of the date of this annual report, the composition of the Board is as follows:

Executive Directors

Mr. Zhu Gen Rong (Chairman)
Mr. Wang Ai Yan (Chief Executive Officer)
Mr. Liu Chuan Jiang (resigned with effect from 7 May 2021)
Mr. Jin Hao (resigned with effect from 7 May 2021)
Mr. Fang Hui (appointed with effect from 29 April 2021)

Non-Executive Director

Mr. Shi Chenghu (appointed with effect from 27 April 2021)

Independent Non-Executive Directors

Mr. Dai Tian Zhu (resigned with effect from 31 March 2021)
Mr. Kong Chi Mo
Mr. Heng, Keith Kai Neng
Mr. Yao Yang Yang (appointed with effect from 31 March 2021)

An updated list of directors and their role and functions is maintained at the website of the Company and the Stock Exchange and the independent non-executive Directors are identified by name in all corporate communications.

Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

RESPONSIBILITIES OF THE BOARD

All the directors (including the independent non-executive Directors) have acquired a proper understanding of the Company's operation and business and are fully aware of his/her functions and responsibilities under statute and common law, the Listing Rules and other applicable legal and regulatory requirements. Every director has given the Company the details on the number and nature of offices held in other companies and significant commitments at the time of his/her appointment.

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorizing the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the risk management and internal control systems; supervising and managing management's performance of the Group; and setting the Group's values and standards. Though the Board delegates the day-to-day management, administration and operation of the Group to management, all the directors continue to give sufficient time and attention to the Company's affairs. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

Apart from the Audit Committee, Remuneration Committee and Nomination Committee (as defined below), the Company did not set up any other board committees for dealing with any matters during the year.

The Company has in force appropriate insurance coverage on Director's and Officer's liabilities arising from the Group's business. The Company reviews the extent of insurance coverage on an annual basis.

THE ATTENDANCE OF MEETINGS OF THE BOARD

During the year, the Board convened 4 meetings having considered the business development, the financial and operating performance of the Group. At least 14 days notice of regular Board meetings would be given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers would be sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. The Chairman would also ensure that all directors are properly briefed on matters arising at board meetings.

Corporate Governance Report

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The duly signed minutes are open for inspection by any director. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. The Board members are enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to assist them to discharge their duties. They are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

Details of the Director's attendance record in full meetings of the Board and in all general meetings for the year ended 30 June 2021 are as follows:

Name of Director	Meeting of the Board of Directors No. of Attendance by Directors/No. of Meetings	Annual general meeting No. of Attendance by Directors/No. of Meetings	Extra ordinary general meeting No. of Attendance by Directors/No. of meetings
Mr. Zhu Gen Rong (Chairman)	4/4	1/1	1/1
Mr. Wang Ai Yan (Chief Executive Officer)	4/4	1/1	1/1
Mr. Liu Chuan Jiang (resigned with effect from 7 May 2021)	3/4	1/1	1/1
Mr. Jin Hao (resigned with effect from 7 May 2021)	3/4	1/1	1/1
Mr. Fang Hui (appointed with effect from 29 April 2021)	1/4	N/A	N/A
Mr. Shi Chenghu (appointed with effect from 27 April 2021)	1/4	N/A	1/1
Mr. Dai Tian Zhu (resigned with effect from 31 March 2021)	3/4	1/1	N/A
Mr. Kong Chi Mo	4/4	1/1	1/1
Mr. Heng, Keith Kai Neng	4/4	1/1	1/1
Mr. Yao Yang Yang (appointed with effect from 31 March 2021)	1/4	N/A	1/1

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc. This corporate governance report has been reviewed by the Board in discharge of its corporate governance functions in compliance with the Code Provision D.3 of the Corporate Governance Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Zhu Gen Rong and Mr. Wang Ai Yan is the Chairman and Chief Executive Officer of the Board of the Company, respectively and are responsible for the overall strategy planning and policy making of the Group.

The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the directors to make active contribution in Board's affairs and promoting a culture of openness and debate.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "Articles") provide that at each AGM, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

The non-executive director and independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change that may affect his/her independence and must provide an annual confirmation of his/her independence to the Company.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. Directors also participate in continuous professional development programmes such as external seminars organized by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. Records of the training received by the respective directors are kept and updated by the company secretary of the Company.

The individual training record of each director received for the year ended 30 June 2021 is summarized below:

Name of director	Attending seminar(s)/ programme(s)/ conference(s) relevant to the business or directors' duties
Mr. Zhu Gen Rong (Chairman)	✔
Mr. Wang Ai Yan (Chief Executive Officer)	✔
Mr. Liu Chuan Jiang (resigned with effect from 7 May 2021)	✔
Mr. Jin Hao (resigned with effect from 7 May 2021)	✔
Mr. Fang Hui (appointed with effect from 29 April 2021)	✔
Mr. Shi Chenghu (appointed with effect from 27 April 2021)	✔
Mr. Dai Tian Zhu (resigned with effect from 31 March 2021)	✔
Mr. Kong Chi Mo	✔
Mr. Heng, Keith Kai Neng	✔
Mr. Yao Yang Yang (appointed with effect from 31 March 2021)	✔

All directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 6 May 2013 comprising 3 independent non-executive Directors namely, Mr. Kong Chi Mo, Mr. Heng, Keith Kai Neng and Mr. Yao Yang Yang. Mr. Kong Chi Mo is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of the external auditor as well as their terms of appointment.

In performing its duties in accordance with its terms of reference, the work to be performed by the Audit Committee includes:

(a) review and supervise the financial reporting process, risk management, financial controls and internal control systems of the Company and its subsidiaries;

(b) recommendation to the Board, for the approval by shareholders, of the re-appointment of external auditor and approval of their remuneration;

(c) determination of the nature and scope of the audit; and

(d) review the financial statements for the relevant financial period and discuss corporate governance practice.

Draft and final versions of the minutes of the Audit Committee meetings will be sent to all committee members for their comment and records within a reasonable time after the meetings and the full minutes will be kept by the company secretary who is also the secretary of the Audit Committee.

The Audit Committee is provided with sufficient resources to perform its duties and is enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to discharge its responsibilities.

During the year, the Audit Committee reviewed the final and interim results of the Group as well as discussed with the management and the external auditor and internal auditor about the accounting principles and policies adopted by the Group and discussed risk management internal controls and financial reporting matters at the relevant meeting and recorded unanimous decisions for the year ended 30 June 2021. In addition, the Audit Committee has reviewed external auditor's remuneration.

The attendance of each Director at Audit Committee meetings as follows:

Name of Director	No. of Attendance/ No. of Meetings
Mr. Kong Chi Mo (Chairman)	2/2
Mr. Dai Tian Zhu (resigned with effect from 31 March 2021)	2/2
Mr. Heng, Keith Kai Neng	2/2
Mr. Yao Yang Yang (appointed with effect from 31 March 2021)	N/A

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") was established on 6 May 2013 comprising the 3 independent non-executive Directors. Mr. Heng, Keith Kai Neng is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Remuneration Committee include consulting the Chairman of the Board about their remuneration proposals for other executive directors, having the delegated responsibility to determine the specific remuneration packages of all executive directors of the Group and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of the non-executive Directors.

The Remuneration Committee is provided with sufficient resources to perform its duties and is enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to discharge its responsibilities.

During the year, the Remuneration Committee held one meeting. The Remuneration committee has reviewed and approved the remuneration package of the Executive Directors. Details of the directors' emolument are set out in Note 8 to the financial statements.

The attendance of each Director at Remuneration Committee meetings as follows:

Name of Director	No. of Attendance/ No. of Meetings
Mr. Heng, Keith Kai Neng (Chairman)	1/1
Mr. Dai Tian Zhu (resigned with effect from 31 March 2021)	1/1
Mr. Kong Chi Mo	1/1
Mr. Yao Yang Yang (appointed with effect from 31 March 2021)	N/A

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 6 May 2013 comprising the 3 independent non-executive directors and Mr. FANG Hui. Mr. YAO Yang Yang is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in paper-making industry, industrial automation systems and sludge treatment products and/or other professional areas.

The Nomination Committee is provided with sufficient resources to perform its duties and is enabled to seek independent professional advice in appropriate circumstances, at the Company's expense, to discharge its responsibilities.

During the year, the Nomination Committee held one meeting. No change has been proposed to the structure, size and composition of the Board during the meeting and the committee had also confirmed the diversity of the Board.

The attendance of each Director at Nomination Committee meetings as follows:

Name of Director	No. of Attendance/ No. of Meetings
Mr. Yao Yang Yang (Chairman) (appointed Chairman with effect from 31 March 2021)	N/A
Mr. Dai Tian Zhu (Chairman) (resigned Chairman with effect from 31 March 2021)	1/1
Mr. Zhu Gen Rong (resigned nomination committee with effect from 29 April 2021)	1/1
Mr. Kong Chi Mo	1/1
Mr. Heng, Keith Kai Neng	1/1
Mr. Fang Hui (appointed as a member of nomination committee with effect from 29 April 2021)	N/A

NOMINATION POLICY

The Board has adopted a nomination policy on 1 January 2019 (the "Nomination Policy") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

1. Selection Criteria

(a) The Nomination Committee is authorized by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer.

(b) In assessing the suitability of a proposed candidate, the Nomination Committee may make reference to certain criteria such as the Company's need, the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in industrial automation systems, sludge treatment products and paper-making industrial, and/or other professional areas, the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities and, in case of independent non-executive director, the independence requirements set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time), and seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(c) Where necessary, the Nomination Committee should seek independent professional advice to access a wider range of potential candidates.

(d) Proposed candidate will be asked to submit the necessary personal information, together with his/her written consent to be appointed as a director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.

(e) Non-executive director will receive a formal letter of appointment on his/her appointment to the Board, setting out clearly the expectations of him/her in terms of time commitment, committee service and involvement outside board meetings.

2. Nomination Procedures

The secretary of the Nomination Committee shall invite nominations of candidates from Board members if any, for consideration by the Nomination Committee. The Nomination Committee may also put forward candidates who are not nominated by Board members.

Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board may revoke or terminate any of the appointment of a managing director, joint managing director or deputy managing director in accordance with Article 87 of the articles of association of the Company.

A shareholder of the Company can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person as a director. Details of the procedure has been set out in the "Procedure for Shareholders to Propose a Person for Election as a Director of the Company" posted on the website of the Company.

3. Review and Monitor of this Policy

(a) The Nomination Committee shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

(b) The Nomination Committee shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to complete effectively in the marketplace.

(c) The Nomination Committee shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company and the Nomination Committee seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives as stated in the above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 7 directors. Three of the directors are independent non-executive directors and independent of management, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of professional background and skills.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

Risk Management and Internal Control systems

The Board is responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavours to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. The risks have been disclosed in the report of the directors of this annual report. The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive structure, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records and a sound cash management system; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors. The Board reviews the risk management and internal controls annually.

Also, the Board engaged an external independent consultant to assess the effectiveness of the Group's risk management, internal control systems and perform an internal audit function which covered certain material controls, including the financial, operational and compliance controls as well as risk management functions during the year ended 30 June 2021. The assessment report was reviewed by the Audit Committee and the Board. The Board has conducted a review of, and is satisfied with the effectiveness and adequacy of the risk management and internal control systems and the internal audit function for the year ended 30 June 2021.

AUDITOR'S REMUNERATION

During the financial year ended 30 June 2021, the fees paid/payable to the Company's auditor are set out as follows:

Services rendered	Fees paid/ payable (RMB'000)
Annual audit services	2,150
	2,150

COMPANY SECRETARY

Mr. Chan So Kuen was appointed as the Company Secretary on 28 February 2014. According to Rule 3.29 of the Listing Rules, an issuer's company secretary must take no less than 15 hours of relevant professional training in each financial year while Mr. Chan has taken no less than 15 hours of relevant professional training in 2021.

The biographical details of Mr. Chan are set out under the section headed "Biographical Details of Directors and Senior Management".

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, shall be called an extraordinary general meeting ("EGM").

Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one- tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's principal place of business at Suite 901, 9/F, Ocean Centre, 5 Canton Road, Tsim Sha Tsui, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

(a) At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

(b) At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

Right to put enquiries to the board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong or by email at ir@hzeg.com or by phone at (852) 3153 4985.

Right to put forward proposals at general meetings

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 85 of the Articles, no person other than a director retiring at the meeting shall, unless recommended by the directors for election, be eligible for election as a director at any general meeting unless a notice signed by a member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim reports, notices, announcements and circulars and the Company's website at www.hzeg.com.

During the year ended 30 June 2021, there had been no significant change in the Company's constitutional documents.

Independent Auditor's Report

To the Shareholders of Huazhang Technology Holding Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Huazhang Technology Holding Limited (the "Company") and its subsidiaries (the "Group") set out on pages 68 to 168, which comprise:

- the consolidated statement of profit or loss for the year ended 30 June 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at 30 June 2021;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Recognition of revenue from sales of goods and project contracting services over time
- Provision for impairment of trade and other receivables and contract assets

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Recognition of revenue from sales of goods and project contracting services over time	
Refer to Note 2.26 "Summary of significant accounting policies – Revenue recognition", Note 4.2(a) "Critical accounting judgments – Revenue recognition" and Note 5 "Segment information" to the consolidated financial statements. Revenue from sales of goods and project contracting services is recognised over time when the Group's performance under a sales contract creates or enhances an asset that the customer controls as the asset is created or enhanced, otherwise, the revenue is recognised at a point in time when the buyer obtains control of the asset. For the year ended 30 June 2021, revenue of the Group from sales of goods and project contracting service was totalled RMB496,906,070, of which RMB199,243,665 was recognised on the over time basis. For the revenue from sales of goods and project contracting services recognised over time, the Group recognised revenue by applying an input method to measure the progress towards complete satisfaction of the performance obligation. The input method recognised revenue based on the proportion of the actual costs incurred to the estimated total costs for satisfaction of the performance obligation. Significant judgments and estimations were required in determining the estimated total costs and the estimation of progress towards complete satisfaction of the performance obligation at the year end. Given the involvement of significant management's judgments and estimations, recognition of revenue from sales of goods and project contracting services over time is considered a key audit matter.	We understood, evaluated and tested key controls, on a sample basis, over revenue recognition over time, including the controls related to recording of the actual cost incurred and the estimation of total costs. In respect of actual cost incurred, we checked actual costs incurred to supporting documents on a sample basis, including suppliers' invoices, customers' acceptance of production progress and contracts with suppliers. In respect of estimated total costs, we checked the components of estimated total costs to the supporting documents including the purchase contracts and approved budgets, on a sample basis. We performed site visit of projects, on a sample basis, to evaluate the ongoing status of the projects. We checked the mathematical accuracy of management's calculation of the revenues recognised over time using the input method. Based on our work performed, we found that management's judgments and estimations used in the Group's revenue recognised from sales of goods and project contracting services over time were supported by the available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of trade and other receivables and contract assets	
Refer to Note 2.12 "Summary of significant accounting policies - Financial assets", Note 2.14 "Summary of significant accounting policies - Trade and other receivables", Note 4.1(a) "Critical accounting estimates - Impairment of trade and other receivables and contract assets", and Note 21 "Trade and other receivables, contract assets and prepayments" to the consolidated financial statements. As at 30 June 2021, the net carrying amounts of the Group's trade receivables, other receivables and contract assets were RMB428,544,011, RMB96,493,597 and RMB16,325,135, respectively, after netting off accumulated allowance for impairment provision of RMB96,219,937, RMB28,051,042 and RMB508,140, respectively. The Group provided impairment of trade and other receivables and contract assets based on the expected credit loss ("ECL") model. The Group grouped these trade and other receivables and contract assets in accordance with credit risk characteristics and calculated the ECL based on groups, by considering the experience of historical credit losses, together with current market situation and forward looking factors. The trade and other receivables and contract assets with objective evidence of impairment were further assessed individually, and an impairment assessment is conducted to calculate the ECL and to provide an individual impairment allowance.	We understood, evaluated and tested the key controls, on a sample basis, over the estimations adopted in the ECL assessment. We assessed the appropriateness of the Group's grouping by considering the credit risk characteristics. We evaluated the historical default rates of different groups by comparing with the actual losses recorded during the prior and current financial years. We evaluated the adjustment to the historical default rates by considering the forward looking factors and other relevant information, such as the Group's future business relationship with these customers, evidence from external sources including the publicly available information relating to the financial circumstances of the customers and their expected behaviour including method of payments or payments period. For those subject to further individual assessment for impairment provision, we understood and evaluated management's assessment of the collectability by considering both current situation and economic situation in the future and corroborated management's explanations with available evidences, including interviewing with sales personnel, checking subsequent settlements, credit history and financial capability of these customers on a sample basis. We checked, on a sample basis, the accuracy of ageing profile on trade and other receivables and contract assets to supporting documents, including sales invoices, delivery notes, customer's receipts and payment demand notes.

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for impairment of trade and other receivables and contract assets (Continued)	
We considered assessment of impairment provision of trade and other receivables and contract assets a key audit matter because significant management's judgments and estimations are involved.	We checked the mathematical accuracy of management's ECL calculation. Based on our work performed, we found that management's judgments and estimations adopted in the assessment of provision for impairment of trade and other receivables and contract assets were supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mr. Mang Kwong Fung, Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 September 2021

Consolidated Statement of Profit or Loss

For the year ended 30 June 2021

	Notes	For the year ended 30 June 2021 RMB	2020 RMB
Revenue	5	**496,906,070**	368,159,248
Cost of sales	5, 7	**(391,278,370)**	(293,964,072)
Gross profit		**105,627,700**	74,195,176
Selling and distribution expenses	7	**(9,481,146)**	(9,171,733)
Administrative expenses	7	**(51,588,442)**	(57,122,809)
Research and development expenses	7	**(27,360,497)**	(24,048,315)
Net impairment gains/(losses) on financial and contract assets		**4,850,835**	(83,861,306)
Other income and gains, net	6	**23,409,817**	27,291,315
Operating profit/(loss)		**45,458,267**	(72,717,672)
Finance income	9	**623,198**	276,510
Finance costs	9	**(22,921,063)**	(10,491,027)
Finance costs, net		**(22,297,865)**	(10,214,517)
Share of net loss of associates accounted for using the equity method	13	**(52,462)**	–
Profit/(loss) before income tax		**23,107,940**	(82,932,189)
Income tax expense	10	**(6,592,011)**	5,742,749
Profit/(loss) for the year		**16,515,929**	(77,189,440)
Profit/(loss) is attributable to:			
The shareholders of the Company		**17,984,484**	(77,503,863)
Non-controlling interests		**(1,468,555)**	314,423
		16,515,929	(77,189,440)
Earnings/(losses) per share attributable to the shareholders of the Company for the year (expressed in RMB cents per share)			
Basic earnings/(losses) per share	11	**2.45**	(10.56)
Diluted earnings/(losses) per share	11	**2.45**	(10.56)

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2021

	Notes	For the year ended 30 June 2021 RMB	2020 RMB
Profit/(loss) for the year		**16,515,929**	(77,189,440)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**9,514,873**	(3,816,712)
Other comprehensive income/(loss) for the year, net of tax		**9,514,873**	(3,816,712)
Total comprehensive income/(loss) for the year		**26,030,802**	(81,006,152)
Total comprehensive income/(loss) for the year is attributable to:			
The shareholders of the Company		**27,499,357**	(81,320,575)
Non-controlling interests		**(1,468,555)**	314,423
		26,030,802	(81,006,152)

The notes on pages 81 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 RMB	2020 RMB
ASSETS			
Non-current assets			
Property, plant and equipment	14	**73,441,278**	79,483,658
Other right-of-use assets	15	**5,830,519**	5,303,580
Investment properties	16	**104,021,068**	109,975,507
Prepaid land lease payments	15, 17(i)	**75,375,942**	77,087,727
Goodwill	18	**39,934,884**	39,934,884
Other intangible assets	17(ii)	**10,668,801**	12,664,279
Deferred tax assets	25	**16,260,156**	14,318,685
Investments in an associate	13	**4,947,538**	–
Financial assets at fair value through profit or loss	19	**5,447,433**	–
Trade and other receivables	21(i)	**23,744,860**	125,321,393
Prepayments	21(iii)	**169,782**	182,843
		359,842,261	464,272,556
Current assets			
Inventories	20	**156,144,094**	113,679,076
Trade and other receivables	21(i)	**550,390,302**	529,419,356
Prepayments	21(iii)	**89,226,697**	135,171,764
Financial assets at fair value through other comprehensive income		**43,493,570**	50,049,740
Pledged deposits	22	**23,922,992**	28,602,729
Contract assets	21(ii)	**16,325,135**	11,035,234
Cash and cash equivalents	22	**145,299,486**	40,394,804
		1,024,802,276	908,352,703
Total assets		**1,384,644,537**	1,372,625,259

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 RMB	2020 RMB
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	25	**5,477,481**	6,110,739
Deferred income	26	**22,837,500**	24,187,500
Lease liabilities	15	**4,430,761**	4,038,619
Trade and other payables	23	**2,101,412**	–
		34,847,154	34,336,858
Current liabilities			
Trade and other payables	23	**343,430,172**	354,215,675
Contract liabilities	5	**181,819,504**	206,393,720
Interest-bearing loans	24	**53,046,324**	107,208,500
Income tax payable		**6,287,003**	7,048,968
Lease liabilities	15	**1,086,252**	1,201,155
Convertible bonds	27	**81,314,234**	91,245,279
		666,983,489	767,313,297
Total liabilities		**701,830,643**	801,650,155
Net assets		**682,813,894**	570,975,104
EQUITY			
Share capital	28	**7,471,631**	6,203,955
Share premium	28	**589,857,286**	509,708,723
Equity component of convertible bonds	27	**6,199,604**	35,161,248
Other reserves	29	**105,804,845**	61,516,759
Accumulated deficits		**(24,582,376)**	(41,147,040)
Capital and reserves attributable to the shareholders of the Company		**684,750,990**	571,443,645
Non-controlling interests		**(1,937,096)**	(468,541)
Total equity		**682,813,894**	570,975,104

The notes on pages 81 to 168 are an integral part of these consolidated financial statements.

The financial statements on pages 75 to 168 were approved by the Board of Directors on 30 September 2021 and were signed on its behalf by:

Zhu Gen Rong
Director

Wang Ai Yan
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Notes	Share capital	Share premium	Equity component of convertible bonds	Other reserves	Accumulated deficits	Total	Non-controlling interests	Total equity
		Attributable to the shareholders of the Company							
		RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Balance at 1 July 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 year		–	–	–	–	17,984,484	17,984,484	(1,468,555)	16,515,929
Other comprehensive income		–	–	–	9,514,873	–	9,514,873	–	9,514,873
Total comprehensive income/(loss) for the year		–	–	–	9,514,873	17,984,484	27,499,357	(1,468,555)	26,030,802
Extinguishment of convertible bonds	27, 29	–	–	(35,161,248)	35,161,248	–	–	–	–
Issue of shares	28	1,276,308	81,683,692	–	–	–	82,960,000	–	82,960,000
Issue of new convertible bonds	27	–	–	6,199,604	–	–	6,199,604	–	6,199,604
Shares bought back	28	(8,632)	(1,535,129)	–	–	–	(1,543,761)	–	(1,543,761)
Employee share option	29	–	–	–	(1,807,855)	–	(1,807,855)	–	(1,807,855)
Profit appropriation to statutory reserves	29	–	–	–	1,419,820	(1,419,820)	–	–	–
		1,267,676	80,148,563	(28,961,644)	34,773,213	(1,419,820)	85,807,988	–	85,807,988
Balance at 30 June 2021		7,471,631	589,857,286	6,199,604	105,804,845	(24,582,376)	684,750,990	(1,937,096)	682,813,894
Balance at 1 July 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 year		–	–	–	–	(77,503,863)	(77,503,863)	314,423	(77,189,440)
Other comprehensive income/(loss)		–	–	380,818	(4,197,530)	–	(3,816,712)	–	(3,816,712)
Total comprehensive income/(loss) for the year		–	–	380,818	(4,197,530)	(77,503,863)	(81,320,575)	314,423	(81,006,152)
Extinguishment of convertible bonds	27, 29	–	–	11,170,841	(11,170,841)	–	–	–	–
Employee share option	29	–	–	–	(2,592,105)	–	(2,592,105)	–	(2,592,105)
Profit appropriation to statutory reserves	29	–	–	–	1,065,397	(1,065,397)	–	–	–
		–	–	11,170,841	(12,697,549)	(1,065,397)	(2,592,105)	–	(2,592,105)
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

The notes on pages 81 to 168 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	For the year ended 30 June 2021 RMB	 2020 RMB
Cash flows from operating activities			
Cash generated from/(used in) operations	30(a)	**129,147,341**	(39,875,198)
Income tax paid		**(10,184,216)**	(6,033,558)
Net cash inflow/(outflow) from operating activities		**118,963,125**	(45,908,756)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(2,071,173)**	(9,717,773)
Proceeds from disposals of property, plant and equipment	30(b)	**1,358**	12,200
Purchase of other intangible assets		**(603,185)**	(529,936)
Investments in an associate	13	**(5,000,000)**	–
Acquisitions of financial assets at fair value through profit or loss	19	**(5,000,000)**	–
Interest received		**623,198**	276,510
Net cash outflow from investing activities		**(12,049,802)**	(9,958,999)
Cash flows from financing activities			
Proceeds from issue of shares	28	**82,960,000**	–
Shares bought back	28	**(1,543,761)**	–
Proceeds from interest – bearing loans	24	**52,760,000**	107,045,000
Proceeds from interest – free loan from a related party		**–**	5,425,200
Repayment of interest – bearing loans		**(107,000,000)**	(33,513,000)
Repayment of interest – free loan from a related party		**(5,480,640)**	–
Repayments of interest – free loans from third parties		**(4,470,000)**	–
Interest paid		**(16,684,366)**	(5,890,799)
Principal elements of lease payments		**(1,490,021)**	(1,233,557)
Net cash (outflow)/inflow from financing activities		**(948,788)**	71,832,844
Net increase in cash and cash equivalents		**105,964,535**	15,965,089
Cash and cash equivalents at beginning of the year	22	**40,394,804**	24,196,754
Effect of exchange rate changes on cash and cash equivalents		**(1,059,853)**	232,961
Cash and cash equivalents at end of the year	22	**145,299,486**	40,394,804

The notes on pages 81 to 168 are an integral part of these consolidated financial statements.

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").

The consolidated financial statements are presented in Renminbi Yuan ("RMB"), unless otherwise stated. The consolidated financial statements were approved and authorised for issue by the Company's Board of Directors (the "Board") on 30 September 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Companies Ordinance ("HKCO").

The consolidated financial statements of the Group have been prepared in accordance with HKFRS and disclosure requirements of HKCO.

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL"), which are carried at fair value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(c) 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
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – phase 2
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(d) New standards, amendments and interpretations not yet adopted by the Group

A number of new standards, amendments and interpretations to existing standards that are relevant to the Group but not yet effective for the financial year beginning at 1 July 2020 and have not been early adopted by the Group are as follows:

Standards, amendments and interpretations		Effective for annual periods beginning on or after
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combination	1 January 2022
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
Annual Improvements to HKFRS Standards 2018 – 2020		1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Hong Kong Interpretation 5 (2020)	Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause	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

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(i) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Impairment testing of the investments in subsidiaries is also required according to Note 2.11.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

(ii) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.4 below), after initially being recognised at cost.

2.4 Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating sources and assessing the financial performance of the operating segments, has been identified as the Board that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RMB, the Company's functional currency is Hong Kong Dollar ("HK$").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within finance costs, net.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Land held under operating leases is classified and accounted for by the Group as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs that are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is calculated using the straight-line method to allocate their costs over their estimated useful lives of 20 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

2.8 Property, plant and equipment

Construction-in-progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time as the assets are completed and are ready for operational use.

Property, plant and equipment include buildings, machinery and vehicles, furniture, fittings and equipment. All property, plant and equipment is stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Property, plant and equipment *(Continued)*

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

• Buildings	20 years
• Machinery and vehicles	5-10 years
• Furniture, fittings and equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other income and gains, net in the consolidated statement of profit or loss.

2.9 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, being the operating segments.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development

Research expenditure and development expenditure that do not meet the criteria in below are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Patents	8 years
• Software	10 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss), and

(ii) those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.12.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

2.12.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income and gains, net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other income and gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

(ii) Financial assets at FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other income and gains, net. Interest income from these financial assets is included in other income and gains, net using the effective interest rate method. Foreign exchange gains and losses are presented in other income and gains, net and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.

(iii) Financial assets at FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income and gains, net in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Financial assets *(Continued)*

2.12.3 Measurement *(Continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments.

Changes in the fair value of financial assets carried at FVPL are recognized in "other income and gains, net" in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.12.4 Impairment

The Group assesses on a forward looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Trade and other receivables

Trade receivables and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. See Note 21 for further information about the Group's accounting for trade and other receivables, and Note 2.12.4 for the description of the Group's impairment policies.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the shareholders of the Company until the shares are cancelled or reissued.

2.17 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Convertible bonds *(Continued)*

An exchange between an existing borrower and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss.

2.22 Employee benefits – pension obligations

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). Under the MPF Scheme, the Group and its Hong Kong employees make monthly contributions to the MPF Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to a cap per person per month and any excess contributions are voluntary (if any).

In accordance with the rules and regulations in the PRC, the Group has arranged for its PRC employees to join the defined contribution retirement benefit plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 8. The assets of this plan are held separately from those of the Group in an independent fund managed by the PRC government.

The Group's contributions to the defined contribution retirement benefit plan are charged to the consolidated statement of profit or loss as incurred. The Group has no further payment obligations once the contributions have been paid.

2.23 Share-based payments

The Group operates an equity-settled share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments ("options") of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Share-based payments *(Continued)*

(i) including any market performance conditions (for example, the entity's share price);

(ii) excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

(iii) including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The options granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the management's best estimate of the expenditures expected to be required to settle the present obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.25 Government grants

Government grants are recognised at their fair value, when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised as income in the consolidated statement of profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised as income in the consolidated statement of profit or loss on a straight line basis over the expected lives of the related assets.

Government grants that are not related to future costs nor purchase of property, plant and equipment are recognised directly as income in the consolidated statement of profit or loss.

2.26 Revenue recognition

(a) Sale of goods – industrial products, sludge treatment products and spare parts

Sales are recognised when control of the goods has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

The Group provides installation services for the sale of industrial products, sludge treatment product. The goods or services are highly related that the Group would not be able to fulfil its promises by transferring each of the goods or services independently. Thus installation services bundled together with the sale of machinery are not considered distinct. Revenue from sales of goods is recognised when the control of the asset has been transferred to the customer, which is usually upon the installation services are completed.

(b) Sale of project contracting services

The Group provides project contracting services for the customers. The main sales contract can be divided into design, procurement and installation while the performance obligations of the three parts of the contract are closely related and cannot be separated. Revenue from the sale of project contracting services will be recognised as one performance obligation satisfied over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. The management of the Group considers that input method would faithfully depict the Group's performance towards satisfaction of performance obligation under HKFRS 15.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

(c) Sale of goods – wastewater treatment products

The Group provides total wastewater treatment solution to customers, the goods or services provided during the contractual period are highly related that the Group would not be able to fulfil its promises by transferring each of the goods or services independently. Thus the services bundled together with the sale of machinery are not considered distinct. Revenue from the construction contracts will be recognised as one performance obligation satisfied over time as the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the construction costs incurred up to the end of reporting period as a percentage of total estimated construction costs for each contract. The management of the Group considers that input method would faithfully depict the Group's performance towards satisfaction of performance obligation under HKFRS 15.

(d) Rental income

Revenue from rental income will be recognised on a time proportion basis over the lease terms.

(e) Warranty

For warranty embedded to the contracts, the Group accounts for the warranty in accordance with HKAS 37, "Provision, Contingent Liabilities and Contingent Assets" as the warranty provides the customer with assurance that the contracting work complies with the agreed-upon specifications.

(f) Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customers or the Group with a significant benefit of financing. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties of the contracts.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payments are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Revenue recognition *(Continued)*

(g) Contract assets and contract liabilities

A contract asset represents the Group's right to consideration from customers in exchange for goods or services that the Group has transferred to the customers that is not yet unconditional. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when the Group's right to payment becomes unconditional other than passage of time.

A contract liability represents the Group's obligation to transfer the goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.30 Leases *(Continued)*

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 15). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

2.31 Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's and the Company's statement of financial position in the period in which the dividends are approved by the shareholders of the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 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 focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

Foreign exchange risk arises when transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates in the PRC with most of the Group's transactions denominated and settled in RMB, except that certain trade receivables, trade payables and bank deposits are denominated in United States Dollar ("USD") which are exposed to foreign currency translation risk. If the USD had strengthened/weakened by 5% against the RMB while all other variables had been held constant, the Group's net result for the year ended 30 June 2021 would have been approximately RMB962,688 better/worse (2020: RMB146,124), for various financial assets and liabilities denominated in USD.

(ii) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets and liabilities other than its bank deposits and borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk. Bank deposits and borrowings at fixed rates expose the Group to fair value interest rate risk. The Group has not hedged its cash flow and fair value interest rate risk. Details of the Group's bank deposits and borrowings have been disclosed in Note 22 and Note 24 respectively.

As at 30 June 2021 and 2020, the Group has no interest-bearing loans with floating rate.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk arises from cash and cash equivalents, pledged deposits, financial assets at FVOCI, trade and other receivables and contract assets. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these assets represent the Group's maximum exposure to credit risk in relation to the corresponding class of assets.

To manage the risk with respect to cash and cash equivalents, pledged deposits and financial assets at FVOCI, they are either placed with or issued by highly reputable financial institutions.

The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtors.

Management performs ongoing credit evaluations of the counterparties. The credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information.

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work done and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the expected loss rates for the contract assets.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. For other receivables, the impairment provision were determined as the 12-months ECL, as there was no significant increase of credit risk since the initial recognition. The Group has performed the assessment for other receivables and concluded that no material financial impact exists.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 30 June 2021 or 30 June 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the consumer price index and industrial added value in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

On that basis, the loss allowance as at 30 June 2021 and 30 June 2020 was determined as follows for trade receivables and contract assets:

30 June 2021	Not due	Up to 3 months past due	3 months to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due	Total
Trade receivables							
Gross carrying amount	215,009,057	77,014,715	9,852,866	9,546,056	57,586,011	155,755,243	524,763,948
Expected loss rate	0% – 0.5%	0.5% – 9.2%	0.5% – 12.6%	0.5% – 100.0%	0.5% – 100.0%	0.5% – 100.0%	
Loss allowance	1,075,045	4,208,611	457,481	664,547	36,369,381	53,444,872	96,219,937
Contract assets							
Gross carrying amount	16,833,275	–	–	–	–	–	16,833,275
Expected loss rate	0.5% – 8.3%						
Loss allowance	508,140	–	–	–	–	–	508,140

30 June 2020	Not due	Up to 3 months past due	3 months to 6 months past due	6 months to 1 year past due	1 year to 2 years past due	Over 2 years past due	Total
Trade receivables							
Gross carrying amount	317,088,861	33,094,076	26,703,775	47,774,757	64,974,852	155,004,691	644,641,012
Expected loss rate	0% – 0.5%	0.5% – 7.5%	0.5% – 8.7%	0.5%-100.0%	0.5% – 100.0%	0.5% – 100.0%	
Loss allowance	1,553,692	1,407,533	852,069	6,115,169	38,156,268	53,248,469	101,333,200
Contract assets							
Gross carrying amount	11,588,617	–	–	–	–	–	11,588,617
Expected loss rate	0.5% – 6.8%						
Loss allowance	553,383	–	–	–	–	–	553,383

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by maintaining adequate amount of cash and cash equivalents.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 30 June 2021	**Less than 1 year RMB**	**Between 1 and 2 years RMB**	**Between 2 and 5 years RMB**	**Over 5 years RMB**	**Total RMB**
Convertible bonds	**88,200,480**	**–**	**–**	**–**	**88,200,480**
Interest-bearing loans	**54,746,539**	**–**	**–**	**–**	**54,746,539**
Trade and other payables	**299,278,533**	**–**	**–**	**–**	**299,278,533**
Lease liabilities	**1,374,946**	**1,273,237**	**3,697,919**	**–**	**6,346,102**
	443,600,498	**1,273,237**	**3,697,919**	**–**	**448,571,654**

As at 30 June 2020	Less than 1 year RMB	Between 1 and 2 years RMB	Between 2 and 5 years RMB	Over 5 years RMB	Total RMB
Convertible bonds	93,627,600	–	–	–	93,627,600
Interest-bearing loans	110,026,748	–	–	–	110,026,748
Trade and other payables	301,631,597	–	–	–	301,631,597
Lease liabilities	1,481,718	1,265,870	3,246,953	–	5,994,541
	506,767,663	1,265,870	3,246,953	–	511,280,486

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with the others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt includes interest-bearing loans, convertible bonds, lease liabilities and interest-free loan from independent third parties as shown in the consolidated statement of financial position. Total capital is calculated as total equity as shown in the consolidated statement of financial position plus total debt.

The gearing ratios at 30 June 2021 and 2020 were as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
Total debt	**153,458,371**	227,224,993
Total equity	**682,813,894**	570,975,104
Total capital	**836,272,265**	798,200,097
Gearing ratio	**18.4%**	28.5%

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation

Financial instruments carried at fair value are measured by different valuation methods. The inputs to valuation methods are categorised into three levels within a fair value hierarchy, as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2021 and 2020.

At 30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI:				
– Bills receivables	**–**	**43,493,570**	**–**	**43,493,570**
Financial assets at FVPL:				
– Unlisted equity investments	**–**	**–**	**5,447,433**	**5,447,433**

At 30 June 2020	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI:				
– Bills receivables	–	50,049,740	–	50,049,740

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Group's financial assets at FVOCI are initially recognised at fair value based on level 2 valuation method and subsequently measured at fair value.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Company uses valuation techniques to determine the fair values of financial instruments except as detailed above, including the latest quote price, the Black-Scholes model and etc. The fair values of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore have been classified by the Group as level 3.

(d) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 30 June 2020 and 2021:

	Financial assets at FVPL Unlisted equity investments
Opening balance at 1 July 2020	–
Acquisitions	5,000,000
Gains recognised in profit or loss	447,433
Closing balance at 30 June 2021	5,447,433

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(e) Valuation inputs and relationships to fair value

Financial instruments	Fair value hierarchy	Valuation Techniques and key inputs	Significant Unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at FVPL:				
– Unlisted equity investments	Level 3	Black-Scholes model, risk-free rate, expected volatility	Expected exit date and probability	The earlier the exit date, the lower the fair value; the higher the probability, the higher the fair value

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between level 1, level 2 and level 3 fair value hierarchy during the year ended 30 June 2021 and 2020.

The carrying amounts of the Group's other financial assets (including trade and other receivables, pledged deposits and cash and cash equivalents) and financial liabilities (including trade and other payables, convertible bonds and interest-bearing loans) approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

(a) Impairment of trade and other receivables and contract assets

For trade and other receivables and contract assets, the Group applies ECL model to provide for ECL as prescribed by HKFRS 9, which requires the use of the 12-month or lifetime expected loss allowance. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at the end of each reporting period.

(b) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting period, the recoverable amount of CGU was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in Note 18. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 18.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

4.2 Critical accounting judgments

(a) Revenue recognition

For the revenue from sales of goods and project contracting services recognised over time, the Group recognises revenue by applying an input method to measure the progress towards complete satisfaction of the performance obligation. The input method recognises revenue based on the proportion of the actual costs incurred to the estimated total costs for satisfaction of the performance obligation. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the year end.

5 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, net, share of net loss of associates, 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 and certain prepayments, right-of-use assets 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.

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 30 June 2021:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Total RMB
Segment revenue from external customers	244,040,682	182,521,867	19,886,736	50,456,785	496,906,070
Timing of revenue recognition					
At a point in time	244,040,682	–	3,164,938	50,456,785	297,662,405
Over time	–	182,521,867	16,721,798	–	199,243,665
Segment cost of sales	(196,369,075)	(139,034,873)	(17,007,587)	(38,866,835)	(391,278,370)
Segment gross profit	47,671,607	43,486,994	2,879,149	11,589,950	105,627,700
Segment results	22,105,187	36,633,605	(6,219,022)	(7,463,416)	45,056,354
Common administrative expenses					(23,007,904)
Other income and gains, net (Note 6)					23,409,817
Share of net loss of associates (Note 13)					(52,462)
Finance costs, net (Note 9)					(22,297,865)
Profit before income tax					23,107,940
Income tax expense (Note 10)					(6,592,011)
Profit for the year					16,515,929

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	Total RMB
Capital expenditure	141,942	–	23,246	1,115,540	6,595,823	7,876,551
Depreciation of property, plant and equipment (Notes 14)	979,974	55,613	1,164,856	4,508,290	–	6,708,733
Depreciation of other right-of-use assets (Notes 15)	–	–	–	–	1,497,222	1,497,222
Depreciation of investment properties (Notes 16)	–	–	–	5,643,697	310,742	5,954,439
Amortisation of prepaid land lease payments (Notes 17(i))	106,538	–	141,354	1,336,421	127,472	1,711,785
Amortisation of other intangible assets (Notes 17(ii))	2,587,935	–	–	10,728	–	2,598,663

5 SEGMENT INFORMATION *(Continued)*

The segment results for the year ended 30 June 2020:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Total RMB
Segment revenue from external customers	85,442,850	169,023,902	58,246,368	55,446,128	368,159,248
Timing of revenue recognition					
At a point in time	85,442,850	–	30,468,706	55,446,128	171,357,684
Over time	–	169,023,902	27,777,662	–	196,801,564
Segment cost of sales	(59,978,876)	(144,532,256)	(43,553,823)	(45,899,117)	(293,964,072)
Segment gross profit	25,463,974	24,491,646	14,692,545	9,547,011	74,195,176
Segment results	3,313,003	(39,317,629)	750,679	(33,761,564)	(69,015,511)
Common administrative expenses					(30,993,476)
Other income and gains, net (Note 6)					27,291,315
Finance costs, net (Note 9)					(10,214,517)
Loss before income tax					(82,932,189)
Income tax expense (Note 10)					5,742,749
Loss for the year					(77,189,440)

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	Total RMB
Capital expenditure	4,148,327	153,540	117,003	812,194	579,670	5,810,734
Depreciation of property, plant and equipment (Notes 14)	1,002,953	141,160	1,662,309	4,388,007	–	7,194,429
Depreciation of other right-of-use assets (Notes 15)	–	–	–	–	1,204,752	1,204,752
Depreciation of investment properties (Notes 16)	–	–	–	5,643,697	310,742	5,954,439
Amortisation of prepaid land lease payments (Notes 17(i))	106,538	–	141,354	1,336,421	127,472	1,711,785
Amortisation of other intangible assets (Notes 17(ii))	2,047,850	–	–	375,700	–	2,423,550

5 SEGMENT INFORMATION *(Continued)*

Revenues of approximately RMB122,047,449 are derived from a single external customer (2020: revenues of approximately RMB118,173,924 are derived from a single external customer). These revenues are attributed to the project contracting services segment (2020: project contracting services segment).

The amount of the Group's revenue from external customers broken down by location of the customers is shown in the table below.

	For the year ended 30 June	
	2021	2020
	RMB	RMB
PRC	**372,270,985**	347,885,536
Vietnam	**122,047,449**	17,581,664
Others	**2,587,636**	2,692,048
	496,906,070	368,159,248

	As at 30 June	
Segment assets	**2021**	2020
	RMB	RMB
Project contracting services	**447,870,231**	587,588,549
Supporting services	**358,128,717**	368,174,479
Industrial products	**297,048,596**	258,161,109
Environmental products	**85,056,488**	64,530,169
Total segment assets	**1,188,104,032**	1,278,454,306
Unallocated:		
Cash and cash equivalents (Note 22)	**145,299,486**	40,394,804
Pledged deposits (Note 22)	**23,922,992**	28,602,729
Deferred tax assets (Note 25)	**16,260,156**	14,318,685
Other right-of-use assets (Note 15)	**5,830,519**	5,303,580
Investment properties	**5,057,570**	5,368,312
Prepayments – non-current portion (Note 21(iii))	**169,782**	182,843
	1,384,644,537	1,372,625,259

5 SEGMENT INFORMATION *(Continued)*

Segment liabilities	As at 30 June 2021 RMB	2020 RMB
Industrial products	**267,007,692**	230,487,233
Project contracting services	**203,447,045**	228,941,947
Supporting services	**108,782,810**	189,776,195
Environmental products	**26,441,117**	40,248,552
Total segment liabilities	**605,678,664**	689,453,927
Unallocated:		
Convertible bonds (Note 27)	**81,314,234**	91,245,279
Other payables	**3,033,729**	8,662,207
Income tax payable	**6,287,003**	7,048,968
Lease liabilities (Note 15)	**5,517,013**	5,239,774
	701,830,643	801,650,155

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 30 June 2021 RMB	2020 RMB
Contract assets (Note 21(ii)) (i):		
Contract assets relating to sales of goods	**11,297,306**	4,791,885
Contract assets relating to project contracting services	**5,535,969**	6,796,732
Less: provision for impairment	**(508,140)**	(553,383)
	16,325,135	11,035,234
Contract liabilities (i) (ii):		
Contract liabilities relating to sales of goods	**139,900,672**	144,894,727
Contract liabilities relating to project contracting services	**41,918,832**	61,498,993
	181,819,504	206,393,720

5 SEGMENT INFORMATION *(Continued)*

(i) Significant changes in contract assets and liabilities

The increase in contract assets was mainly due to the increase in sales. The decrease in contract liabilities was mainly due to recognition of revenue from project contracting service.

(ii) Revenue recognised in relations to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**147,311,978**	85,982,947

(iii) Unsatisfied long-term contracts

The following table shows unsatisfied performance obligations resulting from long-term contracts.

	As at 30 June	
	2021	2020
	RMB	RMB
Aggregate amount of the transaction price allocated to long-term contracts that are partially or fully unsatisfied as at 30 June 2021 and 2020	**16,740,115**	170,490,401

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of 30 June 2021 will be recognised as revenue during the next reporting period.

6 OTHER INCOME AND GAINS, NET

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Interest income recognised from project contracting services	**10,885,693**	7,968,988
Government grants	**6,113,650**	3,515,292
Interest income from customer delaying on payment	**2,001,418**	10,580,304
Tax refund	**1,770,784**	1,141,863
Rental income	**1,115,723**	655,375
Net fair value gains on financial assets at FVPL (Note 19)	**447,433**	–
Interest income from loan to a customer	**81,686**	311,975
Reversal of Interest	**–**	2,924,713
Others	**993,430**	192,805
	23,409,817	27,291,315

7 EXPENSES BY NATURE

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Raw materials used	**345,717,766**	288,598,596
Employee benefit expenses (Note 8)	**54,362,477**	52,774,133
Outsourcing service fees	**11,197,467**	13,449,901
Addition of provision for write-down of inventories (Note 20)	**7,669,602**	4,916,152
Depreciation of property, plant and equipment (Note 14)	**6,708,733**	7,194,429
Travelling expenses	**6,409,696**	8,867,781
Depreciation of investment properties (Note 16)	**5,954,439**	5,954,439
Change in inventories of finished goods and work in progress (Note 20)	**5,928,042**	(29,962,862)
Professional service fees	**5,889,612**	8,604,291
Office expenses	**4,865,491**	3,228,700
Transportation expenses	**4,149,940**	2,267,814
Miscellaneous tax charges other than value added tax and income tax	**3,359,615**	2,323,356
Entertainment expenses	**3,008,379**	2,489,046
Amortisation of other intangible assets (Note 17(ii))	**2,598,663**	2,423,550
Auditor's remuneration – Audit services	**2,150,000**	1,900,000
Amortisation of prepaid land lease payments (Note 17(i))	**1,711,785**	1,711,785
Depreciation of other right-of-use assets (Note 15(ii))	**1,497,222**	1,204,752
Warranty expenses	**1,419,793**	1,052,854
Rental expenses (Note 15(ii))	**1,028,273**	1,354,142
Advertising costs	**438,118**	417,999
Utilities	**306,624**	689,026
Other expenses	**3,336,718**	2,847,045
	479,708,455	384,306,929

8 EMPLOYEE BENEFIT EXPENSES

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Wages and salaries	**41,836,811**	41,361,608
Bonuses	**5,892,706**	4,876,681
Social security costs	**5,384,747**	4,686,093
Pension costs – defined contribution plans	**1,342,848**	2,006,391
Share options (Note 29)	**(1,807,855)**	(2,592,105)
Other benefits	**1,713,220**	2,435,465
	54,362,477	52,774,133

8 EMPLOYEE BENEFIT EXPENSES *(Continued)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 30 June 2021 include four (2020: four) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining one (2020: one) individual for the year ended 30 June 2021 is as follows:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Salaries, allowances and benefits in kind	**613,354**	602,870
Bonuses	**51,113**	91,344
Share options	**(15,666)**	(63,928)
Other benefits	**16,611**	16,442
	665,412	646,728

The emoluments fell within the following bands:

	For the year ended 30 June	
	2021	2020
Emolument bands		
Within HK$1,000,000 (equivalent to approximately RMB851,900)	**1**	1

9 FINANCE COSTS, NET

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Finance costs		
– Interest on convertible bonds (Note 27)	**(13,308,299)**	(6,959,294)
– Interest on loans (Note 24)	**(5,161,210)**	(3,187,835)
– Net foreign exchange losses	**(4,043,178)**	(6,962)
– Interest paid/payable for lease liabilities (Note 15)	**(372,640)**	(336,936)
– Others	**(35,736)**	–
	(22,921,063)	(10,491,027)
Finance income		
– Interest income	**623,198**	276,510
	623,198	276,510
Finance costs, net	**(22,297,865)**	(10,214,517)

10 INCOME TAX EXPENSE

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Current income tax		
PRC enterprise income tax (iii)	**6,446,107**	959,334
Hong Kong profits tax (ii)	**2,720,633**	–
Deferred income tax	**(2,574,729)**	(6,702,083)
	6,592,011	(5,742,749)

(i) Cayman Islands profits tax

Profits tax is not imposed on corporations 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 HK$2,000,000 and at the rate of 16.5% on any part of assessable profits over HK$2,000,000 for a corporation.

10 INCOME TAX EXPENSE *(Continued)*

(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 year ended 30 June 2021 (2020: 15%).

The difference between the actual income tax expense in the consolidated statement of profit or loss and the amounts which would result from applying the enacted tax rate to profit before tax can be reconciled as follows:

	For the year ended 30 June	
	2021 **RMB**	2020 RMB
Profit/(loss) before income tax	**23,107,940**	(82,932,189)
Tax calculated at the statutory tax rate of 25%	**5,776,985**	(20,733,047)
Tax effects of:		
Different tax rate effect	**(769,667)**	5,507,247
Income not subject to tax	**(271,360)**	–
Expenses not deductible for income tax purpose	**180,301**	28,329
Research and development tax credit	**(2,307,931)**	(2,313,487)
Tax losses and temporary differences for which no deferred tax asset was recognised	**2,920,781**	13,247,614
Utilisation of previously unrecognised tax losses	**(1,164,402)**	(130,538)
Reversal of previously recognised deferred tax assets	**866,050**	–
Adjustments for current tax of prior years	**1,361,254**	(1,348,867)
	6,592,011	(5,742,749)

11 EARNINGS/(LOSSES) PER SHARE

The calculation of the basic earnings/(losses) per share amount is based on the profit/(loss) for the year attributable to the shareholders of the Company and the weighted average number of ordinary shares of 733,206,978 (2020: 733,857,225) which represents the shares in issue during the year.

The Company has two categories of potentially dilutive potential ordinary shares: share options and convertible bonds. The diluted earnings/(losses) per share is same as the basic earnings/(losses) per share as any potential ordinary shares would have anti-dilutive effect for the years ended 30 June 2021 and 2020.

	For the year ended 30 June	
	2021 **RMB**	2020 RMB
Basic		
Earnings/(losses)		
Profit/(loss) attributable to the shareholders of the Company	**17,984,484**	(77,503,863)
Number of shares		
Weighted average number of ordinary shares in issue during the year	**733,206,978**	733,857,225
Basic earnings/(losses) per share (RMB cents)	**2.45**	(10.56)
Diluted		
Earnings/(losses)		
Profit/(loss) attributable to the shareholders of the Company	**17,984,484**	(77,503,863)
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 year	**733,206,978**	733,857,225
Diluted earnings/(losses) per share (RMB cents)	**2.45**	(10.56)

12 SUBSIDIARIES

Particulars of the subsidiaries of the Group as at 30 June 2021 and 2020 are as follows:

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group 2021 %	Ownership interest held by the Group 2020 %	Ownership interest held by non-controlling interests 2021 %	Ownership interest held by non-controlling interests 2020 %
Zhejiang Huazhang*	PRC/Limited Company	Research and development, supply and sale of industrial automation systems and sludge treatment products and the provision of after-sales and other service in the PRC	USD41,300,000	**100**	100	**–**	–
Huazhang Electric Holding Limited	Hong Kong/Limited Company	Investment holding and trading of electronic parts in Hong Kong	HK$3,000,002	**100**	100	**–**	–
Likwin Limited	The British Virgin Islands ("BVI")/Limited Company	Investment holding in the BVI	USD1	**100**	100	**–**	–
Huazhang Technology (Hangzhou) Limited	PRC/Limited Company	Research and development, supply and sale of industrial automation systems and sludge treatment products, and the provision of after-sales and other services in the PRC	RMB30,000,000	**100**	100	**–**	–
Wuhan Wukong Control System Engineering Co., Ltd. ("Wukong")	PRC/Limited Company	Wastewater treatment business in the PRC	RMB8,553,000	**70**	70	**30**	30
Hangzhou Haorong Technology Co., Ltd. ("Haorong")	PRC/Limited Company	Computer software and hardware, and technical service in the PRC	RMB500,000	**100**	100	**–**	–
Hangzhou MCN Paper Tech Co., Ltd. ("MCN")	PRC/Limited Company	Research, development and distribution of headboxes used in papermaking production line in the PRC	RMB1,200,000	**100**	100	**–**	–

12 SUBSIDIARIES *(Continued)*

Company name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Ownership interest held by the Group 2021 %	Ownership interest held by the Group 2020 %	Ownership interest held by non-controlling interests 2021 %	Ownership interest held by non-controlling interests 2020 %
Guangdong Huazhang Logistics Warehouse Limited	PRC/Limited Company	Logistics and warehousing services in the PRC	USD25,000,000	100	100	–	–
Huazhang Technology Logistics Warehouse Limited	Hong Kong/Limited Company	Investment holding in Hong Kong	HK$1	100	100	–	–
Huazhang Technology Logistics Limited	BVI/Limited Company	Investment holding in the BVI	USD100	100	100	–	–
Baoshan Jintaisheng Logistics Limited	PRC/Limited Company	Logistics and warehousing services in the PRC	RMB5,000,000	100	100	–	–
Fine Global Enterprises Limited	BVI/Limited Company	Investment holding in the BVI	USD1	100	100	–	–
Huazhang Environmental Resources Investment Limited	Hong Kong/Limited Company	Investment holding in Hong Kong	HK$10,000	100	100	–	–
Hehe resource FZE	Dubai/Limited Company	Waste recycling business in Dubai	United Arab Emirates Dirham ("AED") 10,000	100	100	–	–

* Zhejiang Huazhang is registered as a wholly-foreign-owned enterprise under PRC law.

13 INTERESTS IN AN ASSOCIATE

The Group has interests in a an associate that is accounted for using the equity method during the year ended 30 June 2021.

	For the year ended 30 June	
	2021	2020
	RMB	RMB
At 1 July 2020	**–**	–
Additions:		
– Additional investments in an associate	**5,000,000**	–
Share of net loss of associates	**(52,462)**	–
At 30 June 2021	**4,947,538**	–

Set out below is the associate of the Group as at 30 June 2021 which, in the opinion of the directors, is material to the Group. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Company name	**Place of incorporation and kind of legal entity**	**Measurement method**	**Ownership interest held by the Group 30 June 2021**	**Quoted fair value 30 June 2021**	**Carrying amount 30 June 2021**
			%	RMB	RMB
Tongxiang Jiafu Papermaking Equipment Co., Ltd. ("Jiafu")	PRC/Limited Company	Equity method	33.33	–*	4,947,538

* Private entity – no quoted price available.

13 INTERESTS IN AN ASSOCIATE *(Continued)*

(a) Summarised financial information for the associate

The tables below provide summarized financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associate and not the Group's share of those amounts. They have been amended to reflect adjustments made when using the equity method, including fair value adjustments and modifications of differences in accounting policies adopted.

Summarised statement of financial position	**As at 30 June 2021 RMB**
Current assets	
– Cash and cash equivalents	**91,376**
– Other current assets	**15,777,791**
	15,869,167
Current liabilities	**1,026,554**
Net assets	**14,842,613**
Reconciliation to carrying amounts:	
Opening net assets at the incorporation date (18 December 2021)	**15,000,000**
Loss for the year	**(157,387)**
Closing net assets	**14,842,613**
The Group's share in %	**33.33%**
The Group's share	**4,947,538**
Carrying amount	**4,947,538**
Revenue	**2,127,711**
Loss for the year	**(157,387)**
The Group's share	**(52,462)**

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB	Machinery and vehicles RMB	Furniture, fittings and equipment RMB	Construction in progress RMB	Total RMB
Year ended 30 June 2021					
Opening net book amount as at 1 July 2020	**64,490,539**	**13,328,875**	**1,664,244**	**–**	**79,483,658**
Additions	**381,956**	**–**	**295,587**	**–**	**677,543**
Disposals (Note 30(b))	**–**	**–**	**(11,190)**	**–**	**(11,190)**
Depreciation charge (Note 7)	**(4,265,091)**	**(2,072,449)**	**(371,193)**	**–**	**(6,708,733)**
Closing net book amount as at 30 June 2021	**60,607,404**	**11,256,426**	**1,577,448**	**–**	**73,441,278**
Year ended 30 June 2020					
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	104,500	237,008	370,996	3,988,624	4,701,128
Disposals (Note 30(b))	–	–	(16,548)	–	(16,548)
Internal transfer	5,837,535	–	–	(5,837,535)	–
Depreciation charge (Note 7)	(4,802,387)	(2,009,505)	(382,537)	–	(7,194,429)
Closing net book amount as at 30 June 2020	64,490,539	13,328,875	1,664,244	–	79,483,658

14 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

For the year ended 30 June 2021 and 2020, the amounts of depreciation expenses charged to cost of sales, selling and distribution expenses, administrative expenses and research and development expenses are as follows:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Administrative expenses	**3,415,416**	3,229,065
Cost of sales	**3,165,445**	3,794,698
Research and development expenses	**121,008**	163,103
Selling and distribution expenses	**6,864**	7,563
	6,708,733	7,194,429

As at 30 June 2021, buildings with an aggregate carrying amount of RMB59,508,867 (2020: RMB63,137,052) were pledged as collateral for the Group's banking facilities (Note 24) and Nil (2020: RMB1,353,487) were pledged as collateral for interest – bearing loans (Note 24).

15 LEASES

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

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	As at	
	30 June 2021	1 July 2020
	RMB	RMB
Right-of-use assets		
Buildings	**5,830,519**	5,303,580
Prepaid land lease payments (Note 17(i))	**75,375,942**	77,087,727
	81,206,461	82,391,307
Lease liabilities		
Current	**1,086,252**	1,201,155
Non-current	**4,430,761**	4,038,619
	5,517,013	5,239,774

Additions to the right-of-use assets during the year ended 30 June 2021 were RMB6,595,823 (2020: RMB579,670).

15 LEASES *(Continued)*

(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 year ended 30 June	
	2021	2020
	RMB	RMB
Depreciation charge of right-of-use assets		
Buildings	**(1,497,222)**	(1,204,752)
Prepaid land lease payments (Note 17(i))	**(1,711,785)**	(1,711,785)
	(3,209,007)	(2,916,537)
Interest expense (Note 9)	**(372,640)**	(336,936)
Expense relating to short-term leases (Note 7)	**(1,017,300)**	(1,354,142)
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses) (Note 7)	**(10,973)**	–

The total cash outflow (including short-term lease) for leases during the year ended 30 June 2021 was RMB2,890,934 (2020: RMB3,394,686).

16 INVESTMENT PROPERTIES

	Investment properties RMB
Year ended 30 June 2021	
Opening net book amount as at 1 July 2020	**109,975,507**
Depreciation charge (Note 7)	**(5,954,439)**
Closing net book amount as at 30 June 2021	**104,021,068**
Year ended 30 June 2020	
Opening net book amount as at 1 July 2019	115,929,946
Depreciation charge (Note 7)	(5,954,439)
Closing net book amount as at 30 June 2020	109,975,507

16 INVESTMENT PROPERTIES *(Continued)*

Amount recognised in profit or loss for investment properties included:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Rental income	**7,134,768**	3,518,552
Depreciation of investment properties	**(5,954,439)**	(5,954,439)
	1,180,329	(2,435,887)

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year. As at 30 June 2021, the fair value of the investment property, together with its connected prepaid land lease payments, was approximately RMB253,000,000 (30 June 2020: RMB246,800,000), determined based on the valuations performed by Vincorn Consulting and Appraisal Limited, using market approach.

As at 30 June 2021, investment properties with an aggregate carrying amount of RMB104,021,068 (30 June 2020: RMB109,975,507) were pledged as collateral for the Group's banking facilities (Note 24).

17 PREPAID LAND LEASE PAYMENTS AND OTHER INTANGIBLE ASSETS

(i) Prepaid land lease payments

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Opening net book amount	**77,087,727**	78,799,512
Amortisation charge (Note 7)	**(1,711,785)**	(1,711,785)
Closing net book amount	**75,375,942**	77,087,727

Amortisation expenses of RMB1,710,675 (2020: RMB1,710,675) and RMB1,110 (2020: RMB1,110) have been charged to administrative expenses and research and development expenses respectively for the year ended 30 June 2021.

As at 30 June 2021, prepaid land lease payments with an aggregate carrying amount of RMB75,375,942 (30 June 2020: RMB77,087,727) were pledged as collateral for the Group's banking facilities (Note 24).

17 PREPAID LAND LEASE PAYMENTS AND OTHER INTANGIBLE ASSETS

(Continued)

(ii) Other intangible assets

	Patents RMB	Software RMB	Total RMB
Year ended 30 June 2021			
Opening net book amount as at 1 July 2020	**10,751,212**	**1,913,067**	**12,664,279**
Additions	**–**	**603,185**	**603,185**
Amortisation charge (Note 7)	**(2,047,850)**	**(550,813)**	**(2,598,663)**
Closing net book amount as at 30 June 2021	**8,703,362**	**1,965,439**	**10,668,801**
Year ended 30 June 2020			
Opening net book amount as at 1 July 2019	12,799,062	1,758,831	14,557,893
Additions	–	529,936	529,936
Amortisation charge (Note 7)	(2,047,850)	(375,700)	(2,423,550)
Closing net book amount as at 30 June 2020	10,751,212	1,913,067	12,664,279

Amortisation expenses of RMB2,598,663 (2020: RMB2,423,550) have been charged to administrative expenses for the year ended 30 June 2021.

18 GOODWILL

	Headbox business RMB	Logistics and warehousing services RMB	Others RMB	Total RMB
Year ended 30 June 2021				
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 30 June 2021	**36,155,379**	**3,183,135**	**596,370**	**39,934,884**
Year ended 30 June 2020				
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 30 June 2020	36,155,379	3,183,135	596,370	39,934,884

Goodwill of the Group mainly arose from the acquisition of Haorong and MCN (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 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.

18 GOODWILL *(Continued)*

The following table sets out the key assumptions for the CGUs that have significant goodwill allocated to them:

30 June 2021	Headbox business
Sales (% annual growth rate)	2% – 3%
Budgeted gross margin (%)	28% – 34%
Long term growth rate (%)	2.5%
Pre-tax discount rate (%)	19.4%

30 June 2020	Headbox business
Sales (% annual growth rate)	2% – 5%
Budgeted gross margin (%)	32% – 34%
Long term growth rate (%)	3%
Pre-tax discount rate (%)	19.3%

These assumptions have been used for the analysis of CGUs 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 CGUs.

As at 30 June 2021, no impairment charge arose in the aforesaid CGUs (30 June 2020: nil).

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at FVPL

The Group classifies equity investments for which the entity has not elected to recognise fair value gains and losses through OCI as financial assets carried at FVPL:

	As at 30 June	
	2021	2020
	RMB	RMB
Non-current assets		
– Unlisted equity investments	**5,447,433**	–

(ii) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Fair value gains on equity investments at FVPL recognised in other income and gains, net (Note 6)	**447,433**	–

(iii) Risk exposure and fair value measurements

Information about the fair value measurement is set out in Note 3.3.

20 INVENTORIES

	As at 30 June	
	2021	2020
	RMB	RMB
Raw materials	**96,065,714**	40,003,052
Work in progress	**11,985,907**	21,794,399
Finished goods	**67,770,816**	63,890,366
	175,822,437	125,687,817
Less: provision	**(19,678,343)**	(12,008,741)
	156,144,094	113,679,076

As at 30 June 2021, raw materials and finished goods with a cost of RMB16,003,233 and RMB8,412,821 were considered as obsolete (30 June 2020: RMB14,872,897 and RMB3,731,639) and a provision of RMB11,265,522 and RMB8,412,821 (30 June 2020: RMB8,277,102 and RMB3,731,639) to write down their net realisable value was made against those inventories.

21 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS

(i) Trade and other receivables

	As at 30 June	
	2021	2020
	RMB	RMB
Warranty receivables (a)	**14,405,121**	24,401,686
Other trade receivables (b)	**510,358,827**	620,239,326
	524,763,948	644,641,012
Less: provision for impairment of trade receivables (d)	**(96,219,937)**	(101,333,200)
Trade receivables – net	**428,544,011**	543,307,812
Bills receivables	**49,097,554**	20,372,673
Trade and bills receivables	**477,641,565**	563,680,485
Payment on behalf of an independent third party	**87,287,538**	87,265,017
Other receivables due from related parties (Note 33(c)(ii))	**11,297,003**	–
Deductible input value added tax	**9,624,065**	10,203,052
Loan to a customer	**5,312,236**	4,088,398
Other receivables – guarantee	**4,158,422**	3,304,332
Loan deposit to an independent third party	**–**	9,134,400
Others	**6,865,375**	4,401,774
	124,544,639	118,396,973
Less: provision for impairment of other receivables (e)	**(28,051,042)**	(27,336,709)
Other receivables – net	**96,493,597**	91,060,264
Total trade and other receivables	**574,135,162**	654,740,749
Less: trade and other receivables – non-current portion	**(23,744,860)**	(125,321,393)
	550,390,302	529,419,356

21 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 Groups was entitled to collect the revenue is as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
Warranty receivables		
1 year to 2 years	**3,678,837**	11,926,904
Over 2 years	**10,726,284**	12,474,782
	14,405,121	24,401,686

As at 30 June 2021 and 2020, the management expects that approximately RMB14,405,121 and RMB24,401,686 respectively, will be received within one year.

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

	As at 30 June	
	2021	2020
	RMB	RMB
Other trade receivables		
Up to 3 months	**115,150,537**	169,632,126
3 months to 6 months	**9,839,748**	8,897,007
6 months to 1 year	**3,197,708**	163,351,853
1 year to 2 years	**195,188,791**	52,407,628
Over 2 years	**186,982,043**	225,950,712
	510,358,827	620,239,326

As at 30 June 2021 and 2020, the management expects that approximately RMB486,613,967 and RMB494,917,933 respectively, will be received within one year.

21 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)*

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

(c) The ageing analysis of the other trade receivables based on the due date is as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
Other trade receivables		
Not due	**215,009,057**	317,088,861
Up to 3 months past due	**77,014,715**	33,094,076
3 months to 6 months past due	**9,852,866**	26,703,775
6 months to 1 year past due	**9,546,056**	47,774,757
1 year to 2 years past due	**53,907,174**	53,047,948
Over 2 years past due	**145,028,959**	142,529,909
	510,358,827	620,239,326

(d) Movements in the Group's provision for impairment of trade receivables are as follows:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
At beginning of the year	**101,333,200**	39,538,917
Impairment (gains)/losses recognised	**(4,200,464)**	62,924,080
Amounts written off as uncollectible	**(912,799)**	(1,129,797)
At the end of the year	**96,219,937**	101,333,200

As at 30 June 2021, provisions amounting to RMB79,154,496 (30 June 2020: RMB79,154,496) were made on certain trade receivables given that certain customers were in significant financial difficulty and had defaulted in scheduled payments and there was significant uncertainty of recovering these trade receivables.

21 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)*

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

(e) Movements in the Group's provision for impairment of other receivables are as follows:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
At beginning of the year	**27,336,709**	5,981,394
Impairment losses recognised	**714,333**	21,355,315
At the end of the year	**28,051,042**	27,336,709

As at 30 June 2021, provisions amounting to RMB24,585,572 (30 June 2020: RMB24,585,572) were made on certain 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 other receivables.

Due to the short-term nature of the current receivables, their carrying amounts approximate their fair value as at the end of the reporting period.

The carrying amounts of trade and other receivables (including non-current portion) are denominated in the following currencies:

	As at 30 June	
	2021	2020
	RMB	RMB
RMB	**550,092,427**	644,166,400
HK$	**4,103,914**	9,370,188
USD	**19,938,821**	1,204,161
	574,135,162	654,740,749

21 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)*

(ii) Contract assets

	As at 30 June	
	2021	2020
	RMB	RMB
Contract assets	**16,833,275**	11,588,617
Less: provision for impairment of contract assets (a)	**(508,140)**	(553,383)
	16,325,135	11,035,234

(a) Movements in the Group's provision for impairment of contract assets are as follows:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
At beginning of the year	**553,383**	971,472
Impairment losses reversed	**(45,243)**	(418,089)
At the end of the year	**508,140**	553,383

As at 30 June 2021 and 2020, the carrying amounts of contract assets are denominated in the following currencies:

	As at 30 June	
	2021	2020
	RMB	RMB
RMB	**11,446,442**	11,588,617
USD	**5,386,833**	–
	16,833,275	11,588,617

21 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS *(Continued)*

(iii) Prepayments

	As at 30 June	
	2021	2020
	RMB	RMB
Prepayments for procurement	**89,012,131**	134,944,989
Others	**384,348**	409,618
Total prepayments	**89,396,479**	135,354,607
Less: prepayments – non-current portion	**(169,782)**	(182,843)
	89,226,697	135,171,764

22 CASH AND CASH EQUIVALENTS

	As at 30 June	
	2021	2020
	RMB	RMB
Cash at bank and on hand	**169,222,478**	68,997,533
Less: pledged deposits	**(23,922,992)**	(28,602,729)
	145,299,486	40,394,804

(i) The pledged deposits represent cash set aside as deposits for issuance of trade facilities such as bills payable.

(ii) The carrying amount of cash and cash equivalents and pledged deposits are denominated in the following currencies:

	As at 30 June	
	2021	2020
	RMB	RMB
RMB	**147,079,954**	60,436,960
HK$	**15,416,446**	785,705
USD	**6,027,019**	7,723,938
Euro	**665,069**	30,081
AED	**33,990**	20,849
	169,222,478	68,997,533

23 TRADE AND OTHER PAYABLES

	As at 30 June	
	2021	2020
	RMB	RMB
Trade payables	**166,489,237**	153,320,676
Bills payable	**52,868,655**	64,577,308
	219,357,892	217,897,984
Other taxes payables	**42,233,017**	49,918,691
Deposits for project contracting services	**35,295,556**	29,986,987
Interest-free loan from independent third parties	**13,580,800**	18,050,800
Amount due to suppliers on a customer's behalf	**13,419,622**	13,618,244
Provision for legal claims (a)	**7,447,420**	–
Accruals	**5,980,742**	7,038,078
Employee benefit payables	**3,496,196**	2,086,926
Other deposits	**581,402**	1,471,836
Provision for warranty expenses	**523,838**	578,461
Payables for property, plant and equipment	**77,716**	1,471,346
Amounts due to related parties (Note 33(c)(i))	**5,920**	5,488,478
Interest payable for convertible bonds	**–**	2,283,600
Others	**3,531,463**	4,324,244
	126,173,692	136,317,691
Total trade and other payables	**345,531,584**	354,215,675
Less: trade and other payables – non-current portion		
– Employee benefit payables	**(2,101,412)**	–
	343,430,172	354,215,675

(a) In July 2020, a legal claim was made by an independent third party against the Group in respect of a construction contract. No payment has been made to the claimant pending outcome of the decision. The recognised provision reflects the directors' best estimate of the most likely outcome.

23 TRADE AND OTHER PAYABLES *(Continued)*

The ageing analysis of the trade payables based on the invoice date is as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
Up to 3 months	**88,015,427**	90,913,279
3 months to 6 months	**9,185,944**	1,129,810
6 months to 1 year	**16,991,364**	25,740,249
1 year to 2 years	**31,631,302**	20,658,934
Over 2 years	**20,665,200**	14,878,404
	166,489,237	153,320,676

The carrying amount of trade and other payables (including non-current portion) are denominated in the following currencies:

	As at 30 June	
	2021	2020
	RMB	RMB
RMB	**343,891,371**	339,088,416
HK$	**964,267**	12,227,198
USD	**675,946**	2,900,061
	345,531,584	354,215,675

24 INTEREST – BEARING LOANS

	As at 30 June	
	2021	2020
	RMB	RMB
Bank borrowings (a)	**50,000,000**	107,000,000
Loan from a related party (Note 33(c)(i))	**1,435,020**	–
Loan from independent third parties	**1,408,904**	–
Loan from a non-controlling shareholder	**202,400**	208,500
	53,046,324	107,208,500

24 INTEREST – BEARING LOANS *(Continued)*

Movement of interest – bearing loans is analysed as follows:

	Loan from a non-controlling shareholder RMB	Loan from banks RMB	Loan from independent third parties RMB	Loan from a related party RMB	Total RMB
For the year ended 30 June 2021					
Opening net book amount as at 1 July 2020	**208,500**	**107,000,000**	**–**	**–**	**107,208,500**
Additions	**–**	**50,000,000**	**1,360,000**	**1,400,000**	**52,760,000**
Accrual of interest (Note 9)	**2,400**	**4,852,435**	**271,355**	**35,020**	**5,161,210**
Repayments	**(8,500)**	**(111,852,435)**	**(222,451)**	**–**	**(112,083,386)**
Closing net book amount as at 30 June 2021	**202,400**	**50,000,000**	**1,408,904**	**1,435,020**	**53,046,324**
For the year ended 30 June 2020					
Opening net book amount as at 1 July 2019	642,151	23,000,000	31,143,513	–	54,785,664
Additions	–	107,000,000	45,000	–	107,045,000
Accrual of interest (Note 9)	26,500	3,161,335	–	–	3,187,835
Repayments	(460,151)	(26,161,335)	(10,213,000)	–	(36,834,486)
Reversal of interest (i)	–	–	(2,924,713)	–	(2,924,713)
Reclassify to trade and other payables (i) (Note 23)	–	–	(18,050,800)	–	(18,050,800)
Closing net book amount as at 30 June 2020	208,500	107,000,000	–	–	107,208,500

(i) As at 30 June 2021, the Group's interest-bearing loans were all denominated in RMB.

As at 30 June 2021, the loan from a non-controlling shareholder bore interest at a rate of 7.2% per annum (30 June 2020: 7.2%).

As at 30 June 2021, the Group's loans of RMB50,000,000 from banks bore interest at an average rate of 5.11% per annum (30 June 2020: 4.71%) and all of them were borrowed by using banking facilities.

As at 30 June 2021, the loan from a related party (Note 33(c)(i)) bore interest at a rate of 8.4% per annum (30 June 2020: nil).

24 INTEREST – BEARING LOANS *(Continued)*

As at 30 June 2021 and 2020, the Group's loans were payable as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
Within one year	**50,000,000**	107,208,500
On demand	**3,046,324**	–
	53,046,324	107,208,500

As at 30 June 2021 and 2020, the Group had the following unutilised banking facilities:

	As at 30 June	
	2021	2020
	RMB	RMB
Authorised banking facilities – expiring within one year	**227,934,494**	253,934,494
Less: utilised banking facilities	**(69,421,394)**	(156,007,660)
	158,513,100	97,926,834

As at 30 June 2021, 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 RMB59,508,867, RMB104,021,068 and RMB75,375,941, respectively (30 June 2020: RMB63,137,052, RMB109,975,507 and RMB77,087,727, respectively).

25 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax balances are related to the same tax authority. The Group does not have deferred tax assets and liabilities that are offset against each other and accordingly they are all stated at gross amounts. As at 30 June 2021 and 2020, the analysis of deferred tax assets and deferred tax liabilities are as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
Total deferred tax assets prior to offsetting	**16,327,271**	14,318,685
Set-off of deferred tax assets pursuant to set-off	**(67,115)**	–
Deferred tax assets	**16,260,156**	14,318,685
– to be recovered within 12 months	**16,260,156**	14,318,685
Total deferred tax liabilities prior to offsetting	**5,544,596**	6,110,739
Set-off of deferred tax liabilities pursuant to set-off	**(67,115)**	–
Deferred tax liabilities	**5,477,481**	6,110,739
– to be recovered after more than 12 months	**4,840,666**	5,351,910
– to be recovered within 12 months	**636,815**	758,829
	5,477,481	6,110,739

25 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

The movement on the deferred tax liabilities, prior to offsetting, are as follows:

	Gains on fair value gains of financial assets RMB	Fair value adjustments arising from acquisition of subsidiaries RMB	Others RMB	Total RMB
At 1 July 2020	–	6,099,571	11,168	6,110,739
Charged/(credited) to the consolidated statement of profit or loss	67,115	(636,815)	3,557	(566,143)
At 30 June 2021	67,115	5,462,756	14,725	5,544,596
At 1 July 2019	–	6,847,232	–	6,847,232
Charged/(credited) to the consolidated statement of profit or loss	–	(747,661)	11,168	(736,493)
At 30 June 2020	–	6,099,571	11,168	6,110,739

The movement on the deferred tax assets, prior to offsetting, are as follows:

	Provision for warranty expense RMB	Provision for impairment RMB	Provision for deductible losses RMB	Provision for accruals RMB	Others RMB	Total RMB
At 1 July 2020	86,770	11,549,544	2,532,553	–	149,818	14,318,685
Credited/(charged) to the consolidated statement of profit or loss	(8,193)	1,009,839	(961,806)	1,968,746	–	2,008,586
At 30 June 2021	78,577	12,559,383	1,570,747	1,968,746	149,818	16,327,271
At 1 July 2019	80,112	6,142,269	1,985,199	–	145,515	8,353,095
Credited/(charged) to the consolidated statement of profit or loss	6,658	5,407,275	547,354	–	4,303	5,965,590
At 30 June 2020	86,770	11,549,544	2,532,553	–	149,818	14,318,685

25 DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As at 30 June 2021, the Group did not recognise deferred tax assets of RMB13,009,658 (2020: RMB11,467,109) in respect of tax losses amounting to RMB117,705,992 (2020: RMB99,872,507) that can be carried forward to offset against future taxable income due to uncertainty of realisation.

As at 30 June 2021, accumulated tax losses amounting to RMB25,423,508, RMB46,508,008 and RMB8,943,275 in the PRC will expire in 2024, 2025 and 2026 respectively and accumulated tax losses amounting to RMB55,172,757 in Hong Kong have no expiration date (As at 30 June 2020: accumulated tax losses amounting to RMB25,880,224 and RMB46,508,008 in the PRC will expire in 2024 and 2025 respectively and accumulated tax losses amounting to RMB40,899,858 in Hong Kong have no expiration date).

26 DEFERRED INCOME

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Government grant:		
At beginning of the year	**24,187,500**	25,537,500
Amortised as income	**(1,350,000)**	(1,350,000)
At end of the year	**22,837,500**	24,187,500

27 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;

(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.

27 CONVERTIBLE BONDS *(Continued)*

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.

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.

The old Convertible bonds matured on 29 September 2020. At the request of the Company, the Investor agreed to defer seeking repayment against the Company's commitment to compensate the Investor for the delayed repayment. For the period up to the new issue of the convertible bonds (refer to below as the new Convertible Bonds), the Investor accepted compensation calculated to be HK$2,000,000 and was treated as the interest expense by the Company.

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.

27 CONVERTIBLE BONDS *(Continued)*

Pursuant to the 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 equity.

27 CONVERTIBLE BONDS *(Continued)*

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

	Liability component of Convertible Bonds RMB	Equity component of Convertible Bonds RMB	Total RMB
At 1 July 2020	**91,245,279**	**35,161,248**	**126,406,527**
Extinguishment of the old Convertible Bonds (Note 29)	**(85,041,000)**	**(35,161,248)**	**(120,202,248)**
Issue of the new Convertible Bonds	**78,841,396**	**6,199,604**	**85,041,000**
Interest expense (Note 9)	**13,308,299**	**–**	**13,308,299**
Interest paid and payable	**(8,944,740)**	**–**	**(8,944,740)**
Currency translation differences	**(8,095,000)**	**–**	**(8,095,000)**
At 30 June 2021	**81,314,234**	**6,199,604**	**87,513,838**
At 1 July 2019	85,525,913	23,609,589	109,135,502
Interest expense (Note 9)	11,708,524	–	11,708,524
Interest paid and payable	(4,515,977)	–	(4,515,977)
Extinguishment (Note 9, 29)	(4,749,230)	11,170,841	6,421,611
Currency translation differences	3,276,049	380,818	3,656,867
At 30 June 2020	91,245,279	35,161,248	126,406,527

28 SHARE CAPITAL AND PREMIUM

	As at 30 June	
	2021 RMB	2020 RMB
Issued and fully paid: 886,741,378 (30 June 2020: 733,857,225) ordinary shares	**7,471,631**	6,203,955

	Number of issued shares	Ordinary shares RMB	Share premium RMB	Total RMB
Opening balance 1 July 2020	**733,857,225**	**6,203,955**	**509,708,723**	**515,912,678**
Issue of shares (i)	**153,846,153**	**1,276,308**	**81,683,692**	**82,960,000**
Shares repurchased (ii)	**(962,000)**	**(8,632)**	**(1,535,129)**	**(1,543,761)**
Balance 30 June 2021	**886,741,378**	**7,471,631**	**589,857,286**	**597,328,917**
At 1 July 2019 and 30 June 2020	733,857,225	6,203,955	509,708,723	515,912,678

(i) On 10 May 2021, the Company issued 153,846,153 ordinary shares at HK$0.65 each to use the net proceeds to fund part of its investment in the waste recycling plants.

(ii) In July, September and October 2020, the Company repurchased 698,000, 206,000 and 58,000 ordinary shares respectively through purchases on Hong Kong Exchange and Clearing limited. All the repurchased ordinary shares had been cancelled as at 30 June 2021. The total amount paid to repurchase these ordinary shares was RMB1,543,761 and had deducted from the share capital and share premium of the 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.

29 OTHER RESERVES

	Reorganisation reserve RMB	Merger reserve RMB	Statutory reserves (i) RMB	Translation reserves RMB	Employee Share Option Scheme (ii) RMB	Fair value reserve RMB	Total 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	–	–	–	9,514,873	–	–	9,514,873
Appropriation to statutory reserves (i)	–	–	1,419,820	–	–	–	1,419,820
Share options (ii)	–	–	–	–	(1,807,855)	–	(1,807,855)
Extinguishment of convertible bonds	–	–	–	–	–	35,161,248	35,161,248
At 30 June 2021	**2,335,540**	**33,028,254**	**31,631,187**	**14,819,457**	**–**	**23,990,407**	**105,804,845**
At 1 July 2019	2,335,540	33,028,254	29,145,970	9,502,114	4,399,960	–	78,411,838
Translation differences	–	–	–	(4,197,530)	–	–	(4,197,530)
Appropriation to statutory reserves (i)	–	–	1,065,397	–	–	–	1,065,397
Share options (ii)	–	–	–	–	(2,592,105)	–	(2,592,105)
Extinguishment of convertible bonds	–	–	–	–	–	(11,170,841)	(11,170,841)
At 30 June 2020	2,335,540	33,028,254	30,211,367	5,304,584	1,807,855	(11,170,841)	61,516,759

29 OTHER RESERVES *(Continued)*

(i) Statutory reserves

The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. All statutory reserves are created for specific purposes. PRC companies are required to appropriate 10% of statutory net profits to statutory surplus reserves, upon distribution of their post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the companies, to expand the companies' production operations, or to increase the capital of the companies. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the Board.

(ii) 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.

Employee Share Option Scheme

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

Date of grant	Number of share options in an aggregate	Exercises price HK$/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 January 2019 to January 2021, and with different vesting requirements.

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

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

There was no movement of share options outstanding during the year ended 30 June 2021.

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to cash generated from/(used in) operations

	Notes	For the year ended 30 June 2021 RMB	2020 RMB
Profit/(loss) before income tax		**23,107,940**	(82,932,189)
Adjustments for:			
Interest income	9	**(623,198)**	(276,510)
Interest expense		**18,877,885**	10,484,065
Reversal of interest	6	**–**	(2,924,713)
Depreciation of property, plant and equipment	14	**6,708,733**	7,194,429
Depreciation of other right-of-use assets	15	**1,497,222**	1,204,752
Depreciation of investment properties	16	**5,954,439**	5,954,439
Amortisation of prepaid land lease payments	17(i)	**1,711,785**	1,711,785
Amortisation of other intangible assets	17(ii)	**2,598,663**	2,423,550
Amortisation of deferred income	26	**(1,350,000)**	(1,350,000)
Collection of written-off debtors		**1,319,461**	–
Net impairment (gains)/losses on financial and contract assets		**(4,850,835)**	83,861,306
Write-down of inventories	20	**7,669,602**	4,916,152
Share of results of an associate	13	**52,462**	–
Fair value gains on financial assets	19	**(447,433)**	–
Amortisation of employee share option scheme	29	**(1,807,855)**	(2,592,105)
Losses on disposal of property, plant and equipment		**9,988**	5,515
Gains on disposals of other right-of-use assets		**(256,901)**	–
Changes in working capital:			
– Decrease in pledged deposits relating to operating activities	22	**4,679,737**	1,373,870
– Increase in inventories	20	**(50,134,620)**	(31,719,886)
– Decrease/(increase) in prepayments and other receivables		**42,545,543**	(48,456,684)
– Decrease/(increase) in trade and bills receivables		**90,239,384**	(132,629,042)
– Decrease/(increase) in financial assets at fair value through other comprehensive income		**6,556,170**	(21,289,228)
– Increase in trade and other payables		**4,908,043**	28,293,198
– (Increase)/decrease in contract assets		**(5,244,658)**	71,644,445
– (Decrease)/increase in contract liabilities		**(24,574,216)**	65,227,653
Cash generated from/(used in) operations		**129,147,341**	(39,875,198)

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(Continued)

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Net book amount		
– Property, plant and equipment (Note 14)	**11,190**	16,548
Losses on disposal of plant and equipment, net	**(9,988)**	(5,515)
Value added tax	**156**	1,167
Proceeds from disposal of property, plant and equipment	**1,358**	12,200

(c) Net debt reconciliations

	For the year as at 30 June	
	2021	2020
	RMB	RMB
Cash and cash equivalents (Note 22)	**145,299,486**	40,394,804
Borrowings (Note 24)	**(53,046,324)**	(107,208,500)
Interest-free loan from a related party (Note 33(c)(i))	**–**	(5,480,640)
Lease liabilities (Note 15)	**(5,517,013)**	(5,239,774)
Interest-free loan from third parties (Note 23)	**(13,580,800)**	(18,050,800)
Net debt	**73,155,349**	(95,584,910)
Cash and cash equivalents (Note 22)	**145,299,486**	40,394,804
Gross debt (Note 15, 23, 24, 33(c)(i))	**(72,144,137)**	(135,979,714)
Net debt	**73,155,349**	(95,584,910)

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Net debt reconciliations *(Continued)*

	Other assets	Liabilities from financing activities				
	Cash and cash equivalents RMB	Interest – bearing loans RMB	Loan from a related party RMB	Lease liabilities RMB	Interest-free loan from third parties RMB	Total RMB
Net debt as at 1 July 2020	40,394,804	(107,208,500)	(5,480,640)	(5,239,774)	(18,050,800)	(95,584,910)
Cash flows						
– Inflow from operating activities	118,963,125	–	–	–	–	118,963,125
– Outflow from investing activities	(12,049,802)	–	–	–	–	(12,049,802)
– Outflow from financing activities	(948,788)	112,083,386	5,480,640	1,862,661	4,470,000	122,947,899
– Inflow from financing activities	–	(52,760,000)	–	–	–	(52,760,000)
Foreign exchange adjustments	(1,059,853)	–	–	–	–	(1,059,853)
Other non-cash changes						
– Recognition of other right-of-use assets	–	–	–	(1,767,260)	–	(1,767,260)
– Accrual of interest	–	(5,161,210)	–	–	–	(5,161,210)
– Increase in future finance charges on leases	–	–	–	(372,640)	–	(372,640)
Net debt as at 30 June 2021	145,299,486	(53,046,324)	–	(5,517,013)	(13,580,800)	73,155,349

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Net debt reconciliations *(Continued)*

	Other assets	Liabilities from financing activities				
	Cash and cash equivalents RMB	Interest – bearing loans RMB	Loan from a related party RMB	Lease liabilities RMB	Interest-free loan from third parties RMB	Total RMB
Net debt as at 1 July 2019	24,196,754	(54,785,664)	–	(5,893,661)	–	(36,482,571)
Cash flows						
– Outflow from operating activities	(45,908,756)	–	–	–	–	(45,908,756)
– Outflow from investing activities	(9,958,999)	–	–	–	–	(9,958,999)
– Inflow from financing activities	71,832,844	(107,045,000)	(5,425,200)	–	–	(40,637,356)
– Outflow from financing activities	–	36,834,486	–	1,570,493	–	38,404,979
Foreign exchange adjustments	232,961	–	(55,440)	–	–	177,521
Other non-cash changes						
– Recognition of other right-of-use assets	–	–	–	(579,670)	–	(579,670)
– Increase in future finance charges on leases	–	–	–	(336,936)	–	(336,936)
– Accrual of interest	–	(3,187,835)	–	–	–	(3,187,835)
– Reversal of interest	–	2,924,713	–	–	–	2,924,713
– Reclassify to trade and other payables	–	18,050,800	–	–	(18,050,800)	–
Net debt as at 30 June 2020	40,394,804	(107,208,500)	(5,480,640)	(5,239,774)	(18,050,800)	(95,584,910)

31 DIVIDENDS

	For the year ended 30 June	
	2021	2020
	RMB	RMB
Proposed final dividend	**–**	–

No dividends was paid during the year ended 30 June 2021 and 2020.

The Board does not recommend to declare any dividend for the year ended 30 June 2021 (2020: nil).

32 COMMITMENTS

(a) As lessor

The future minimum lease receivables under non-cancellable operating leases as at 30 June 2021 and 2020 are summarised as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
No later than 1 year	**7,269,877**	4,936,964
Later than 1 year and no later than 5 years	**11,032,972**	1,127,700
	18,302,849	6,064,664

(b) As lessee

The Group leases various offices and motor vehicles under non-cancellable operating leases expiring within six months to 1 year. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases. Minimum lease payments under non-cancellable operating leases (short-term or low-value lease) contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	As at 30 June	
	2021	2020
	RMB	RMB
No later than 1 year	**194,381**	54,200

33 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 year ended 30 June 2021 and 30 June 2020 and balances arising from related party transactions as at 30 June 2021 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, chief executive officer, executive director
Mr. Liu Chuan Jiang ("Mr. Liu") (i)	One of the controlling shareholders
Mr. Fang Hui	Executive director of the Company
Mr. Shi Chenghu	Non-executive director of the Company
Mr. Zhu Gen yi	Brother of Mr. Zhu
Mr. Jin Hao	Director of Zhejiang Huazhang
Mr. Hu Cheng Rong	Legal representative of Wukong
Taizhou Hengshengtianyue Metal Co., Ltd. ("Taizhou Metal")	Controlled by close family members of Mr. Fang Hui
Jiafu	An associate of the Group

(i) Mr. Zhu, Mr. Wang, and Mr. Liu are bound to act in concert by contracts and are collectively 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 year ended 30 June 2021.

(b) Transactions with related parties

	As at 30 June	
	2021	2020
	RMB	RMB
Sales of metal scraps to Taizhou Metal	**14,632,704**	–

	As at 30 June	
	2021	2020
	RMB	RMB
Key management compensation		
– Salaries	**3,983,192**	3,924,562
– Bonuses	**530,785**	542,320
– Other benefits	**101,551**	407,743
– Share options	**(48,555)**	(174,355)
	4,566,973	4,700,270

33 RELATED-PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

(i) Due to related parties

	As at 30 June	
	2021	2020
	RMB	RMB
Loan from related parties		
– Mr. Hu Cheng Rong (Note 24)	**1,435,020**	–
– Mr. Zhu (Note 23)	**–**	5,480,640
Others (Note 23)		
– Mr. Liu	**4,420**	–
– Mr. Jin Hao	**1,500**	2,771
– Mr. Zhu	**–**	4,010
– Mr. Wang	**–**	1,057

The loan from Mr. Zhu was borrowed in September 2019, unsecured, non-interest bearing and is repayable in December 2020.

The loan from Mr. Hu Cheng Rong, the legal representative of Wukong, was borrowed in March and June 2021 with an interest rate of 8.4% per annum and is payable on demand.

(ii) Due from related parties

	As at 30 June	
	2021	2020
	RMB	RMB
Other receivables from related parties		
– Taizhou Metal (Note 21)	**11,297,003**	–
Prepayment to related parties		
– Jiafu	**20,166,157**	–

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	As at 30 June	
	2021	2020
	RMB	RMB
ASSETS		
Non-current assets		
Investments in subsidiaries	**479,750,112**	481,557,967
Current assets		
Other receivables	**343,124,081**	300,165,411
Prepayments	**129,839**	145,226
Cash and cash equivalents	**94,442**	334,500
	343,348,362	300,645,137
Total assets	**823,098,474**	782,203,104
LIABILITIES		
Current liabilities		
Other payables	**163,300,532**	182,112,012
Convertible bonds	**81,314,234**	91,245,279
	244,614,766	273,357,291
Total liabilities	**244,614,766**	273,357,291
EQUITY		
Share capital	**7,471,631**	6,203,955
Share premium	**589,607,761**	509,459,198
Equity component of convertible bonds	**6,199,604**	35,161,248
Accumulated deficits	**(76,975,705)**	(61,985,289)
Other reserves (a)	**52,180,417**	20,006,701
Total equity	**578,483,708**	508,845,813
Total equity and liabilities	**823,098,474**	782,203,104

The statement of financial position of the Company was approved by the Board on 30 September 2021 and was signed on its behalf by:

Zhu Gen Rong	**Wang Ai Yan**
Director	Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

Statement of financial position of the Company *(Continued)*

(a) Reserve movement of the Company

	Other reserves RMB	Accumulated deficits RMB
At 1 July 2020	**20,006,701**	**(61,985,289)**
Translation differences	**(1,179,677)**	**–**
Employee share options	**(1,807,855)**	**–**
Extinguishment of convertible bonds	**35,161,248**	**–**
Loss for the year	**–**	**(14,990,416)**
At 30 June 2021	**52,180,417**	**(76,975,705)**
At 1 July 2019	33,185,728	(52,988,513)
Translation differences	583,919	–
Employee share options	(2,592,105)	–
Extinguishment of convertible bonds	(11,170,841)	–
Loss for the year	–	(8,996,776)
At 30 June 2020	20,006,701	(61,985,289)

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company for the year ended 30 June 2021 is set out as follows:

Name	Salaries, allowances and benefits in kind RMB	Bonuses RMB	Other benefits RMB	Share options RMB	Total remuneration RMB
Chairman					
Mr. Zhu Gen Rong	852,451	160,000	19,184	–	1,031,635
Executive directors					
Mr. Wang Ai Yan (Chief Executive Officer)	804,451	135,000	22,409	–	961,860
Mr. Jin Hao (iv)	600,000	50,000	17,710	(32,889)	634,821
Mr. Liu Chuan Jiang (iv)	480,000	110,000	17,695	–	607,695
Mr. Fang Hui (iii)	170,376	–	–	–	170,376
Non-executive directors					
Mr. Shi Chenghu (ii)	30,107	–	–	–	30,107
Independent non-executive directors					
Mr. Kong Chi Mo	102,226	–	–	–	102,226
Mr. Yao Yang Yang	25,556	–	–	–	25,556
Mr. Heng, Keith Kai Neng	102,226	–	–	–	102,226
	3,167,393	455,000	76,998	(32,889)	3,666,502

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

The remuneration of each director and the chief executive of the Company for the year ended 30 June 2020 is set out as follows:

Name	Salaries, allowances and benefits in kind RMB	Bonuses RMB	Other benefits RMB	Share options RMB	Total remuneration RMB
Chairman					
Mr. Zhu Gen Rong	869,943	140,000	97,255	–	1,107,198
Executive directors					
Mr. Wang Ai Yan (Chief Executive Officer)	822,438	132,000	97,255	–	1,051,693
Mr. Jin Hao	487,195	80,000	86,417	(110,427)	543,185
Mr. Liu Chuan Jiang	611,775	100,000	86,417	–	798,192
Mr. Liang Hui Qun (i)	144,512	–	–	–	144,512
Independent non-executive directors					
Mr. Kong Chi Mo	108,384	–	–	–	108,384
Mr. Dai Tian Zhu	108,384	–	–	–	108,384
Mr. Heng, Keith Kai Neng	108,384	–	–	–	108,384
	3,261,015	452,000	367,344	(110,427)	3,969,932

(i) Mr. Liang Hui Qun has resigned from executive director of the Company with effect from 27 September 2019.

(ii) Mr. Shi Chenghu was appointed as non-executive director of the Company with effect from 27 April 2021.

(iii) Mr. Fang Hui was appointed as executive director of the Company with effect from 29 April 2021.

(iv) Mr. Jin Hao and Mr. Liu Chuan Jiang has resigned from executive director of the Company with effect from 7 May 2021 and remained as senior management of the Group.

For the year ended 30 June 2021, none of the directors waived or agreed to waive any remuneration (2020: none of the directors waived or agreed to waive any remuneration).

35 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Director' termination benefits

There were no termination benefits paid to any director for the year ended 30 June 2021 and 2020.

(c) Consideration provided to third parties for making available directors' services

During the year ended 30 June 2021 and 2020, the Group provided no consideration to third parties for making available director's services.

(d) Information about loans, quasi-loans and other dealings in favour of directors

There were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors as at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.