



**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

**2025**

INTERIM REPORT

## CORPORATE INFORMATION

### DIRECTORS

#### ***Executive directors***

Mr. Fang Hui (*Chairman*)

Mr. Chen Hongwei

Mr. Cai Haifeng

#### ***Independent non-executive directors***

Mr. Heng, Keith Kai Neng

Mr. Yao Yang Yang

Ms. Zhang Dong Fang

### AUDIT COMMITTEE

Mr. Heng, Keith Kai Neng (*Chairman*)

Mr. Yao Yang Yang

Ms. Zhang Dong Fang

### REMUNERATION COMMITTEE

Mr. Heng, Keith Kai Neng (*Chairman*)

Mr. Cai Haifeng

Mr. Fang Hui

Mr. Yao Yang Yang

Ms. Zhang Dong Fang

### NOMINATION COMMITTEE

Mr. Yao Yang Yang (*Chairman*)

Mr. Chen Hongwei

Mr. Fang Hui

Mr. Heng, Keith Kai Neng

Ms. Zhang Dong Fang

### COMPANY SECRETARY

Ms. Yeung Wing Yan

### AUTHORIZED REPRESENTATIVES

Mr. Fang Hui

Ms. Yeung Wing Yan

### LEGAL ADVISOR

*As to Hong Kong Law*

Stevenson, Wong & Co.

## **CORPORATE INFORMATION** *(Continued)*

### **AUDITORS**

KTC Partners CPA Limited

### **REGISTERED ADDRESS**

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

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA**

Room 1101, Block 2  
Canal Advertising Industry Building  
No. 99 Xiangyuan Road, Gongshu District  
Hangzhou City  
Zhejiang Province, China

### **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Room 901, 9/F, Ocean Centre  
5 Canton Road, Tsim Sha Tsui  
Kowloon  
Hong Kong

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **STOCK CODE**

1673

### **WEBSITE**

[www.hzeg.com](http://www.hzeg.com)

## FINANCIAL HIGHLIGHTS

	For the six months ended 31 December		
	2024 RMB	2023 RMB	Change %
<b>Revenue</b>	<b>195,645,329</b>	166,969,868	17.2
<b>Gross profit</b>	<b>40,613,427</b>	27,845,454	45.9
<i>Gross profit margin</i>	<b>20.8%</b>	16.7%	24.6
<b>Loss for the period</b>	<b>(6,814,392)</b>	(18,659,745)	(63.5)
<i>Net loss margin</i>	<b>(3.5)%</b>	(11.2)%	(68.8)
<b>Loss attributable to the shareholders of the Company</b>	<b>(6,944,676)</b>	(18,341,933)	(62.1)
<b>Loss per share attributable to the shareholders of the Company (RMB cents per share)</b>		(Restated)	
— basic	<b>(0.44)</b>	(1.58)	
— diluted	<b>(0.44)</b>	(1.58)	

The Board resolved not to declare any interim dividend for the six months ended 31 December 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Huazhang Technology Holding Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “Group”) for the six months ended 31 December 2024, together with the unaudited comparative figures for the corresponding period in 2023.

### INDUSTRY REVIEW

In 2024, amidst a complex and challenging external environment, China’s economy advanced steadily against the backdrop of policy support, rising investment and moderate growth in residents’ consumption expenditure. According to data published by the National Bureau of Statistics of China, the year-on-year growth of China’s gross domestic product (GDP) in 2024 was 5.0%. As a fundamental sector closely tied to both the economy and people’s livelihoods, the paper-making industry continued to drive technological innovation and upgrading throughout the year, demonstrating certain resilience.

The paper-making industry is a vital foundational raw material sector in China, characterized by intensive capital and technology and significant scale efficiency. Paper-making equipment serves as a crucial engine for driving the transformation and upgrading of the paper-making industry. In 2024, the overall development trend of the paper-making industry remained stable, with the market showing signs of gradual recovery. According to data from the National Bureau of Statistics of China, the added value of the national paper and paper products industry cumulatively decreased by 0.6% in 2024. The production of machine-made papers and paperboards (excluding purchased base papers for processing) was 121.05 million tonnes, representing a year-on-year increase of 7.5%.

In recent years, with strong support from national industrial policies and benefiting from the continuous rise in downstream paper consumption, China’s paper-making technology and equipment sector has developed a relatively comprehensive system of technologies and products, achieving numerous technological advancements. Significant breakthroughs have been made in terms of flexible production capabilities, production efficiency and the supply capacity of complete equipment systems. Some technologies have reached or are approaching internationally leading standards. In 2024, the paper-making equipment industry continued to expand the application of intelligent and automated technologies, driving technological upgrades and sustainable development within the sector.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Against the backdrop of the continuous pursuit of innovation, breakthroughs, transformation and upgrading in the paper-making industry, intra-industry cooperation has become particularly important. In 2024, the industry further strengthened cooperation, actively sought cross-sector partnerships, and explored new business models. Meanwhile, government policy support, including subsidies for technological research and development and the promotion of green development policies, has provided a favorable environment for the industry's high-quality growth. Through these measures, the paper-making industry has achieved remarkable results in technological innovation, market expansion and sustainable development.

Over the past year, the paper-making industry has been entering a period of deep adjustment, with frequent merger and acquisition activities among large enterprises and a significant increase in industry consolidation efforts. This trend will have a profound impact on the industry's competitive landscape, driving resources to concentrate on enterprises with greater scale advantages and technological capabilities. Through mergers and acquisitions, the industry leaders are expected to further enhance their market influence.

Overall, the paper-making industry made significant progress in various aspects such as technological innovation, market recovery, environmental policy support and industry consolidation in 2024. With continued support from national policies and stable growth in market demand, the paper-making industry is expected to take greater strides towards high-quality development, achieving a win-win situation for economic and environmental benefits. Meanwhile, paper-making equipment suppliers also need to continuously improve their competitiveness, actively respond to market changes and policy adjustments, in order to adapt to future development needs.

### BUSINESS REVIEW

For the six months ended 31 December 2024, the Group's revenue and gross profit increased by approximately 17.2% to RMB195.6 million and approximately 45.9% to RMB40.6 million, respectively, as compared to the corresponding period last year. For the six months ended 31 December 2024, the Group recorded a loss of approximately RMB6.8 million, representing a significant decrease of approximately RMB11.9 million as compared to a loss of approximately RMB18.7 million for the corresponding period last year.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### **Paper Making Related Business**

#### *Contracts*

For the six months ended 31 December 2024, although the Group continued to adopt active marketing strategies, the Group's new contract amount decreased by approximately 10.1% to approximately RMB160.1 million and the outstanding contract amount was approximately RMB385.9 million, which was due to the adverse impact of the industry and macro environment. Despite facing challenges, the Group has continued to win customer recognition and trust with outstanding products and services. During the period under review, the Group signed a contract with Jintianhe Paper (金天和紙業) for the largest domestic special food grade cardboard machine driving project (特種食品卡紙機傳動項目) and with Fengsheng Paper (鳳生紙業) for the special paper driving project of 150,000 tons refined kraft paper (15萬噸精製牛皮紙特種紙傳動項目). The signing of these influential orders not only demonstrated the high recognition of Huazhang Technology's products, technology and services by customers, but also solidified the Group's deep cultivation in the paper-making industry.

#### *Focusing on core markets with energy-saving and efficiency enhancement as the main theme*

The Group closely focused on the diversified needs of customers in multiple regions, solidified the domestic market, actively explored overseas markets and concentrated on core businesses. Leading with digitization, energy-saving and efficiency enhancement, the Group continued to provide comprehensive customized services to customers. The general contracting project of Hunan Golden Leaf (湖南金葉) successfully commenced paper production in March, and in December, it obtained the project completion trial and operation assessment acceptance certificate. This achievement marked an industry breakthrough, realizing commissioning, acceptance and full-scale production within the same year, showcasing exceptional project execution capabilities and efficient operations of the Group. The green packaging materials project of Longyuan Paper (龍源紙業), the PM3 paper machine project of Hubei Xianhe (湖北仙鶴), the PM5 paper machine project of Pingfeng Paper (萍鋒紙業) and Guangxi Jianhui (廣西建輝) project were successfully launched. Huazhang Technology leveraged its strengths to help these paper machines produce high-quality paperboard products at high speed, high efficiency and low energy consumption.

Energy-saving and efficiency enhancement became the main theme of the Group's business development. The Group provided plant-wide energy-saving and efficiency enhancement solutions for multiple clients, assisting in increasing income and reducing expenses from processes, equipment, control and management perspectives. The application of permanent magnet motors in main drive systems, along with solutions involving high and low-voltage permanent magnet motor drive equipment and ultra-efficient energy-saving motors, further enhanced the Group's competitiveness in the energy-saving sector.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In addition, the Group has successively implemented a series of projects including the plant-wide MES system, plant-wide visualization system, plant-wide data acquisition, digital operation and maintenance platform for transmission, energy management and vibration monitoring, providing robust support for clients' intelligent production and management. The complete pulping system for the PM3 special paper project of Guanhao High-Tech was equipped with Huazhang Technology's high-efficiency, low-consumption intelligent hydropulpers and conical refiners, achieving the remarkable feat of commissioning, standard compliance and acceptance within the same year. This again demonstrated the Group's technical strength and project execution capabilities in the special paper production and intelligent manufacturing fields.

### *Composing a new chapter with Huazhang through upgrading the supply chain and collaborating for mutual success*

The Group was committed to upgrading the supply chain and achieving mutual benefits through in-depth cooperation with top-tier suppliers both domestically and internationally. We became a platinum system integrator for three internationally renowned brands: Rockwell, Siemens and Innomotics. We established exclusive partnerships with Danfoss and Nidec, as well as deep collaborative relationships with leading suppliers, including Schneider, ABB, SKF, Shandong Ruineng, Zhebao Group, Flender, Shandong Daxing, Jiangnan Honggang (江南烘缸), ZiBo DingTai, Kadant Johnson, Kaijiete, Youpatent, Hua-Alu Machinery, Xinxing (新興), Shengxing (盛興) and Liaoji (遼機).

By aggregating the core business strengths of suppliers in high and low voltage components, drive products, drive control systems and instrumentation valves, the Group progressively enhanced its integration capabilities. More high-quality "Huazhang Selected" products were made available on the integration platform for customers to choose from, helping them achieve transparent procurement, cost reduction and efficiency improvement. In September 2024, at the Wuhan International Paper Exhibition, along with five top international suppliers, namely Rockwell, Siemens, Innomotics, SKF and Danfoss, the Group collaborated in various ways to empower high-quality industry development, growing together and achieving mutual success.

### *Innovation-driven and unleashing development potential*

In 2024, the paper-making industry faced new demands for green, low-carbon and high-quality development, with increasing technical requirements for paper-making industry equipment. The Group adhered to its innovation-driven development strategy, consistently increasing investment in research and development. This commitment has yielded a series of high-value scientific and technological achievements, infusing the enterprise with robust momentum for long-term growth.



## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In terms of technological innovation, the Group achieved remarkable successes. We successfully passed the acceptance inspection for the “Provincial Key Industrial Internet Platform” (省重點工業互聯網平台) — “Industrial Internet Platform for Green Manufacturing in Paper Making Industry” (造紙行業綠色製造工業互聯網平台). This platform was designed to provide robust support for the digital transformation of the paper-making industry, aiding in the enhancement of the industry’s overall production efficiency and resource utilization. In terms of product innovation, the Group’s accomplishments were equally substantial. The “High-Efficiency Utilization Technology and Complete Equipment for Paper-making Waste Residue” (《造紙廢渣資源高效利用技術及成套裝備》) won the provincial first unit (set) recognition, and the “Large Paper Machine High-Speed Drive Control System” (《大型紙機高速傳動控制系統》) was listed as the first unit (set) in Jiaxing City. The domestically pioneered 9150/1200 dilution water hydraulic headbox (9150/1200稀釋水水力式流漿箱) has been successfully launched at Wuzhou Special Paper. The upgraded products launched by the intelligent manufacturing department, such as the pre-charging control board HZT-Precharger V8.0 upgraded version and DUDT, have been widely adopted. The Group has taken the lead in the paper-making industry by implementing plant-wide energy-saving and efficiency-enhancing solutions. The application of permanent magnet direct-drive motors in main drive projects, the widespread use of ultra-high-efficiency motors, the deployment and implementation of the RockiiMaster digital management system at Zhenguan Environmental Protection (振冠環保), and the upcoming launch of the paper-making energy management system at Taiyang Paper (太陽紙業) are all testament to our innovative strides.

The Group continued to invest substantial resources in product research and development, and strive for breakthroughs in the paper-making equipment market in China. For the six months ended 31 December 2024, the Group’s research and development expenses amounted to approximately RMB210 million with 15 new patent applications. As at 31 December 2024, the Group has registered a total of 354 patents (including 128 invention patents, 171 utility model patents and 55 software copyrights).

### *Management efficiency enhancement and a new chapter of high-efficiency collaboration with Huazhang*

At the management level, the Group adhered to lean management and cost reduction strategies, embracing challenges with a renewed approach to drive efficient corporate collaboration. During the period under review, the Group launched new project management software, achieving efficient control throughout the sales, procurement, execution, acceptance and archiving processes, significantly improving project management efficiency and accuracy. Simultaneously, the Group completed digital upgrades and optimizations of relevant departments, including the intelligent manufacturing workshop. The improved organizational structure invigorated the team, providing strong talent support for the Group’s innovative development.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

In terms of internal control management, the Group successfully completed multiple internal control review, promoting the upgrade of internal control standards to ensure the company's operations comply with relevant laws, regulations and industry standards. The Group passed the annual certifications for four management systems, namely quality, environmental, occupational health and safety and information security, as well as the CQC annual certification for low-voltage withdrawable switchgear products, further enhancing the Group's management level in quality control, environmental protection, occupational health and safety and information security.

By participating in various industry activities, such as the China International Paper Technology Exhibition, the China International Disposable Paper EXPO (CIDPEX) and the Paper Based Materials Exhibition, the Group stayed abreast of industry trends, providing strong support for technological innovation and market expansion. Full employee participation in lean management and proactive departmental collaboration streamlined internal processes. Through these measures, the Group achieved significant results in management efficiency, laying a solid foundation for its sustainable development.

### ***Renewable Resources Related Business***

The Group has always been committed to developing green and environmental businesses, continuously seeking suitable opportunities overseas and negotiating with foreign governments and business partners for optimal investment conditions. During the Period, the Group successfully partnered with a recycling company in Hong Kong to explore opportunities in the waste metal recycling business. Meanwhile, it conducted ongoing inspections and business development negotiations in Indonesia. The renewable resource recycling business team of the Group has more than 20 years of industry experience. The core members of the team have participated in the creation and management of the recycled metal recycling and processing company listed on the Hong Kong stock market. In the future, considering the market potential of global scrap metal recycling treatment, the Group will allocate further resources to environmental-related business and believes that with its team advantages, both in terms of business development and management experience, the Group can lead the further expansion and growth of business in this sector.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FUTURE PROSPECTS

Looking ahead to 2025, with the gradual implementation of national policies to stimulate the consumer market, the paper-making industry, as a pro-cyclical industry closely linked to consumer demand, has a high certainty of demand recovery. Whether due to changes in supply-side pressures or demand-side policy incentives, the market is transitioning from a downturn to a recovery. It is expected that the paper-making industry will achieve a supply-demand balance and moderate growth in 2025.

The development of the paper-making industry must ensure steady growth in output to meet supply while achieving the country's dual carbon goals. Facing the challenge of significantly rising energy costs, ensuring the orderly development of the industry necessitates a green and low-carbon transformation, which is both an inevitable and the sole choice for the sector. Paper-making machinery companies should adhere to technological self-reliance and innovation-driven development, focusing on technological innovation, green and low-carbon technology breakthroughs, accelerating digital transformation and intelligent manufacturing to seek future growth.

In 2025, amidst a challenging market environment, Huazhang Technology will embrace market changes with innovative thinking, actively respond and proactively seek transformation. With innovation and transformation at its core, the Group will promote high-quality development.

As market competition intensifies, Huazhang Technology will continue to uphold a customer-centric approach, proactively providing cost-effective solutions. The Group will deeply understand customer needs, leveraging its technological advantages to offer customized paper-making equipment and services. By establishing strategic partnerships with top domestic and international suppliers, the Group will integrate more high-quality products, including high-speed paper-cutting machines, onto the Huazhang platform.

Furthermore, the Group will continue to implement lean management practices, align with national policy directions, and explore new environmental business opportunities. Through these measures, Huazhang Technology aims to maintain a leading position in the industry, achieve sustainable development and contribute more to the high-quality development of the paper-making industry.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### FINANCIAL REVIEW

#### ***Revenue and gross profit margin***

Revenue increased by approximately 17.2% from approximately RMB167.0 million for the six months ended 31 December 2023 to approximately RMB195.6 million for the six months ended 31 December 2024, primarily attributing to sales efforts contributed by the whole management team. The gross profit margin increased from approximately 16.7% for the six months ended 31 December 2023 to approximately 20.8% for the six months ended 31 December 2024, primarily attributing to cost control efforts contributed by the whole management team.

#### *(i) Industrial products*

Revenue from sales of industrial products increased by approximately 19.0% from approximately RMB91.5 million for the six months ended 31 December 2023 to approximately RMB108.8 million for the six months ended 31 December 2024. Such increase was primarily attributable to an increase in sales of industrial automation system after the steady recovery of the supply-chain from the current economic environment. The gross profit margin of industrial products increased from approximately 17.9% for the six months ended 31 December 2023 to approximately 22.3% for the six months ended 31 December 2024.

#### *(ii) Project contracting services*

Revenue from project contracting services remained fairly stable and increased by approximately 0.6% from approximately RMB54.0 million for the six months ended 31 December 2023 to approximately RMB54.4 million for the six months ended 31 December 2024. The gross profit margin of project contracting services increased from approximately 16.4% for the six months ended 31 December 2023 to approximately 20.3% for the six months ended 31 December 2024, such increase was primarily due to the Group strengthened its costs control in provision for the project contracting services for the six months ended 31 December 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### *(iii) Environmental business*

Revenue from sales of environmental business decreased by approximately 67.3% from approximately RMB4.6 million for the six months ended 31 December 2023 to approximately RMB1.5 million for the six months ended 31 December 2024. Such decrease was primarily due to a decrease in demand in sludge treatment products and wastewater treatment business as the market competition was keen. However, the gross profit of environmental business decreased slightly from approximately RMB1.2 million for the six months ended 31 December 2023 to approximately RMB1.1 million for the six months ended 31 December 2024.

### *(iv) Supporting services*

Revenue from the provision of supporting services increased by approximately 83.6% from approximately RMB16.9 million for the six months ended 31 December 2023 to approximately RMB31.0 million for the six months ended 31 December 2024, mainly due to the increased demands on supporting service under the current economic environment. The gross profit margin for the provision of supporting services increased from approximately 8.3% for the six months ended 31 December 2023 to approximately 13.4% for the six months ended 31 December 2024, primarily attributing to the increase in proportion of the sales of spare parts and on-site services in the supporting service, which had a higher profit margin.

### ***Selling and distribution expenses***

The selling and distribution expenses decreased by approximately 17.3% from approximately RMB6.5 million for the six months ended 31 December 2023 to approximately RMB5.3 million for the six months ended 31 December 2024 and as a percentage of revenue was approximately 3.9% and approximately 2.7% for the six months ended 31 December 2023 and 2024, respectively. The decrease in selling and distribution expenses was mainly attributable to a decrease in marketing activities during the period.

### ***Administrative expenses***

The administrative expenses remained fairly stable and decreased slightly by approximately 0.2% from approximately RMB30.7 million for the six months ended 31 December 2023 to approximately RMB30.6 million for the six months ended 31 December 2024 and as a percentage of revenue was approximately 18.4% and approximately 15.6% for the six months ended 31 December 2023 and 2024, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Research and development expenses***

The research and development expenses increased by approximately 96.7% from approximately RMB10.7 million for the six months ended 31 December 2023 to approximately RMB21.0 million for the six months ended 31 December 2024 and as a percentage of revenue was approximately 6.4% and approximately 10.7% for the six months ended 31 December 2023 and 2024, respectively. Increase in research and development expenses was mainly attributable to an increase in material used in research and development activities. The Group aimed to improve and enhance the technology and quality of the paper equipment to international standards including the intelligence production process in manufacturing of the paper, such as fault detection and classification, predictive maintenance, run-to-run control.

### ***Net impairment losses on financial and contract assets***

Net impairment losses on financial and contract assets decreased by approximately 73.0% from approximately RMB1.6 million for the six months ended 31 December 2023 to approximately RMB0.4 million for the six months ended 31 December 2024. Such decrease is primarily due to the Group have made its efforts to recover the long outstanding trade receivables during the period and the Group still continue to strengthened its collection policies.

### ***Other income and gains, net***

Other income and gains, net increased by approximately 112.8% from approximately RMB5.0 million for the six months ended 31 December 2023 to approximately RMB10.7 million for the six months ended 31 December 2024, primarily attributing to an over provision for claims of approximately RMB4.5 million and gain on disposal of financial assets at fair value through profit or loss of approximately RMB2.6 million for the six months ended 31 December 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### ***Finance costs, net***

The Group recorded a net finance income of approximately RMB0.06 million for the six months ended 31 December 2024 as compared to a net finance costs of approximately RMB1.8 million for the corresponding period in 2023, primarily attributing to an increase in interest income from bank deposits, a decrease in average interest rates for bank loans and an depreciation of RMB for the six months ended 31 December 2024.

### ***Income tax expense***

The Group recorded an income tax expense of approximately RMB0.3 million and RMB0.8 million for the six months ended 31 December 2023 and 2024, respectively.

### ***Loss for the period and net loss margin***

As a result of the foregoing, the loss for the period decreased significantly by approximately 63.5% from approximately RMB18.7 million for the six months ended 31 December 2023 to approximately RMB6.8 million for the six months ended 31 December 2024. The net loss margin was reduced from approximately 11.2% for the six months ended 31 December 2023 to approximately 3.5% for the six months ended 31 December 2024.

### ***Loss for the period attributable to the shareholders of the Company***

As a result of the foregoing, the loss for the period attributable to the shareholders of the Company decreased by approximately 62.1% from approximately RMB18.3 million for the six months ended 31 December 2023 to approximately RMB6.9 million for the six months ended 31 December 2024.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy liquidity position during the period under review. The Group was principally financed by internal resources, bank loans as well as equity financing. As at 31 December 2024, the Group had cash and cash equivalent balance amounting to approximately RMB85.0 million (30 June 2024: approximately RMB96.5 million) and interest-bearing loans amounting to approximately RMB87.4 million (30 June 2024: RMB73.4 million). The current ratio was 1.41 as at 31 December 2024 as compared to 1.38 as at 30 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

### BORROWINGS AND CHARGES OF ASSETS

As at 31 December 2024, the Group's borrowings were approximately RMB87.4 million (30 June 2024: RMB73.4 million), which will be repayable within 1 year. Such loans were all denominated in RMB, and bore an average interest rate of 3.51% per annum (30 June 2024: all denominated in RMB, and bore an average interest rate of 3.82% per annum).

As at 31 December 2024, the banking facilities granted to the Group were secured by property, plant and equipment, investment properties and prepaid land lease payments of the Group amounting to approximately RMB19.1 million and RMB73.0 million and RMB2.7 million, respectively (30 June 2024: approximately RMB20.9 million and RMB75.7 million and RMB2.7 million, respectively).

### GEARING RATIO

The gearing ratios as at 31 December 2024 and 30 June 2024 were approximately 17.3% and 14.7%, respectively. The increase in gearing ratio was mainly attributable to an increase in the interest-bearing loans from approximately RMB73.4 million as at 30 June 2024 to approximately RMB87.4 million as at 31 December 2024. Based on the gearing ratio as at 31 December 2024, the Group still maintained a good financial position.

Gearing ratio is calculated based on the total interest-bearing loans at the end of the period/year divided by total interest-bearing loans plus total equity at the end of the respective period/year and multiplied by 100%.

### SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group (i) did not perform any material acquisition or disposal of subsidiaries, associates or joint ventures or investments during the six months ended 31 December 2024; and (ii) did not hold any significant investment as at 31 December 2024.



## **MANAGEMENT DISCUSSION AND ANALYSIS** *(Continued)*

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group did not have future plans for material investments and capital assets during the six months ended 31 December 2024 and up to the date of this report.

### **CAPITAL EXPENDITURE**

For the six months ended 31 December 2024, the Group had no material capital expenditure.

### **CAPITAL COMMITMENTS**

As at 31 December 2024, the Group had no material capital commitments (30 June 2024: Nil).

### **CONTINGENT LIABILITIES**

Save as disclosed elsewhere in this report, the Group had no material contingent liabilities as at 31 December 2024 (30 June 2024: Nil).

### **TREASURY POLICY**

The Group had a sufficient level of cash and banking facilities for the conduct of its trade in the normal course of business during the six months ended 31 December 2024. The management will continue to follow a prudent policy in managing the Group's cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of any future growth opportunities.

### **FOREIGN CURRENCY RISK**

The Group's transactions are mainly denominated in Renminbi ("RMB"), 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 *(Continued)*

### EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2024, the Group had 227 employees (30 June 2024: 228 employees), including the Directors. Total staff costs (including Directors' emoluments) for the six months ended 31 December 2024 were approximately RMB29.0 million, as comparable to approximately RMB24.6 million for the six months ended 31 December 2023. 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. In addition to cash compensation and benefits, we may issue share options to our employees in accordance with our equity plans. During the period, the Group continued its commitment to employees' training and development programme.

## DISCLOSURE OF INTEREST

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

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares (the “Shares”), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which will have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) under Divisions 7 and 8 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 and/or underlying Shares*

Name of directors	Capacity/Nature of interest	Number of Shares and/or underlying Shares held	Approximate percentage of shareholdings*
Mr. Chen Hongwei	Beneficial owner	273,000	0.02%
	Beneficial owner	553,359 (Note 1)	0.03%
Mr. Fang Hui	Interest of a controlled corporation	650,331,027 (Note 2)	40.74%
	Beneficial owner	11,100,000	0.70%
Mr. Cai Haifeng	Beneficial owner	553,360 (Note 1)	0.03%
Mr. Heng, Keith Kai Neng	Beneficial owner	332,016 (Note 1)	0.02%
Mr. Yao Yang Yang	Beneficial owner	332,016 (Note 1)	0.02%
Ms. Zhang Dong Fang	Beneficial owner	332,016 (Note 1)	0.02%

Notes:

- These are interests in underlying Shares which represent the interests in share options granted to the respective Director by the Company under the Share Option Scheme. Details of which are shown in the section headed “Share Option Scheme” of this report.
- The 650,331,027 Shares are registered in the name of Dao He Investment Limited (“Dao He”), a company beneficially owned by Mr. Fang Hui (“Mr. Fang”). Under the SFO, Mr. Fang is deemed to be interested in all the Shares held by Dao He.
- The percentage has been calculated based on the total number of shares of the Company in issue as at 31 December 2024 (i.e. 1,596,134,067 Shares) and rounded to two decimal places.

## DISCLOSURE OF INTEREST *(Continued)*

Save as disclosed above, as at 31 December 2024, none of the Directors of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 December 2024, so far as the Directors are aware of, persons/corporations (other than the Directors and the chief executive of the Company) which had interests and short positions in the Shares and underlying Shares of the Company or its associated corporations 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 or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are as follows:

#### *Long positions in the Shares and/or underlying Shares*

Name of substantial shareholders	Capacity/Nature of interest	Number of Shares and/or underlying Shares held	Approximate percentage of shareholdings*
Dao He Investment Limited	Beneficial owner	650,331,027 (Note 1)	40.74%
Wealthy Land Investments Group Limited	Having a security interest in shares	123,964,000	7.77%
	Beneficial owner	230,326,400	14.43%
Mr. Yeung Wai	Interest of a controlled corporation	354,290,400 (Note 2)	22.20%
Mr. Yeung Yun Chuen	Interest of a controlled corporation	354,290,400 (Note 2)	22.20%
Mr. Shi Chenghu	Beneficial owner	89,452,000	5.60%

## DISCLOSURE OF INTEREST *(Continued)*

### Notes:

1. The shares are registered in the name of Dao He, a company beneficially owned by Mr. Fang.
2. Wealthy Land Investments Group Limited ("Wealthy Land") is owned as to 42.00% by Mr. Yeung Wai and as to 36.00% by Mr. Yeung Yun Chuen. Under the SFO, Mr. Yeung Wai and Mr. Yeung Yun Chuen are deemed to be interested in all the Shares held by Wealthy Land.
- \* The percentage has been calculated based on the total number of shares of the Company in issue as at 31 December 2024 (i.e. 1,596,134,067 Shares) and rounded to two decimal places.

Save as disclosed above, as at 31 December 2024, the Directors are not aware of any interests or short positions owned by any persons/corporations (other than the Directors and the chief executive of the Company) in the Shares or underlying Shares of the Company or its associated corporations 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 or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the six months ended 31 December 2024 was the Company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## COMPETING INTERESTS

For the six months ended 31 December 2024, the Directors are not aware of any business or interest of the Directors, the substantial shareholders of the Company or any of their respective associates had engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests which any such person has or may have with the Company.

## OTHER INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the six months ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

The Company did not have any treasury shares (as defined under the Listing Rules) as at 31 December 2024.

### USE OF PROCEEDS FROM OPEN OFFER

On 18 April 2024, the Group has successfully issued and allotted 532,044,689 new ordinary shares (with a nominal value of HK\$5,320,446.89) at HK\$0.20 per share (a discount of approximately 25.93% over the closing price of HK\$0.27 per share as quoted on the Stock Exchange on 11 March 2024, the latest practicable date, for the prospectus dated 15 March 2024 ("Prospectus") and a discount of approximately 49.37% over the closing price of HK\$0.395 per share as quoted on the Stock Exchange on the date of the underwriting agreement and the placing Agreement, 1 December 2023) through an open offer (the "Open Offer") to existing Shareholders on the basis of one open offer share for every two existing shares held by the qualifying shareholders on 16 February 2024, the record date. The net price per Open Offer share is approximately HK\$0.196. The gross proceeds raised from the Open Offer are approximately HK\$106.0 million and the net proceeds from the Open Offer after deducting the relevant expenses are approximately HK\$104.5 million, which would be used for (i) repayment of bank loans; (ii) the expansion of the Company's industrial automation and other related businesses and the supporting services; and (iii) general working capital of the Company.

The Board believes that it would be in the interest of the Company to raise equity funding via the Open Offer to facilitate long-term development of the Group and to save financial costs to be incurred for the Company's funding needs. In addition, the Open Offer would allow the Company to strengthen its capital base and provide an opportunity to all shareholders (other than the non-qualifying shareholders) to participate in the growth of the Company in proportion to their shareholdings.

**OTHER INFORMATION** *(Continued)*

The table below sets out the proposed application and the status of utilisation of the net proceeds from the Open Offer as at 31 December 2024:

		<b>Net proceeds utilised as at 31 December 2024</b>	<b>Net proceeds unutilised as at 31 December 2024</b>
	<b>Planned</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	HK\$'000	HK\$'000	HK\$'000
Repayment of bank loans	68,620	68,620	–
Expansion of the Company's industrial automation and other related businesses and the supporting services	31,380	–	31,380
General working capital	4,500	4,500	–
	104,500	73,120	31,380

As at 31 December 2024, the Group has used the proceeds from the Open Offer of approximately HK\$73.1 million and the unused balance of approximately HK\$31.4 million was currently placed into deposits and/or money market instruments. The remaining unutilised net proceeds was expected to be fully utilised by the end of 2026 for expansion of the Company's industrial automation and other related business and the supporting services. The expected timeline for use of unutilised proceeds is based on the Group's best estimate of future market conditions, subject to current and future changes of market developments.

Details in relation to the Open Offer are disclosed in the Prospectus, the circular of the Company dated 12 January 2024 and the announcements of the Company dated 1 December 2023, 11 April 2024 and 17 April 2024.

## OTHER INFORMATION *(Continued)*

### 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, which was already approved at an extraordinary general meeting held on 28 April 2021. The subscription price of HK\$0.65 per subscription share represented a discount of approximately 22.62% to the closing price of HK\$0.84 per share as quoted on the Stock Exchange on the date of the subscription agreement. Taking into account the Company’s expenses for the subscription, the net price was approximately HK\$0.65 per share. On 29 April 2021, Mr. Fang Hui, the ultimate beneficial owner of the Subscriber, was appointed as executive director of the Company.

The net proceeds from the issue of the subscription shares were approximately HK\$100 million. As disclosed in the Company’s announcement dated 2 March 2021 and the circular dated 13 April 2021, the Company intended to utilise the proceeds from such subscription towards the costs of purchasing and leasing plants and machineries for the Dubai Recycling Project. Subsequently, as disclosed in the announcement of the Company dated 8 June 2021, such proceeds would temporarily be used as working capital to purchase waste material for processing and/or re-sale.

As at 31 December 2024, the Group has temporarily used the proceeds from the subscription of approximately HK\$3.8 million as working capital to purchase waste material for processing and/or re-sale and the unused balance of approximately HK\$96.2 million was currently placed into deposits and/or money market instruments. It was expected that the remaining unutilised net proceeds from the subscription would be fully utilised by the end of 2026 for temporary use as working capital for the purchase of waste materials for processing and/or re-sale. The expected timeline for use of unutilised proceeds is based on the Group’s best estimate of future market conditions, subject to current and future changes of market developments.

Details in relation to the subscription of new shares under specific mandate are disclosed in the announcements of the Company dated 2 March 2021, 28 April 2021, 10 May 2021 and 8 June 2021, and the circular of the Company dated 13 April 2021.



## OTHER INFORMATION *(Continued)*

### USE OF PROCEEDS FROM THE LISTING BY WAY OF PLACING

The shares of the Company were listed on the Stock Exchange on 16 May 2013 (the “Listing Date”) by way of placing, raising total net proceeds of approximately HK\$48.1 million after deducting professional fees, underwriting commissions and other related listing expenses (the “Net Proceeds”).

References are made to (i) the prospectus of the Company dated 9 May 2013 in relation to the listing on the GEM of the Stock Exchange (the “Listing”), which sets out the intended use of the Net Proceeds from the Listing; and (ii) the announcement of the Company dated 23 December 2014 in relation to the transfer of listing from the GEM to the Main Board of the Stock Exchange and (iii) the announcement of the Company dated 31 March 2022 regarding the change in use of the Net Proceeds. Since the Listing Date and up to 31 December 2021, the Company has utilised approximately RMB26.3 million out of the Net Proceeds. The amount of Net Proceeds which remains unutilised (the “Unutilised Net Proceeds”) as at 31 December 2021 was approximately RMB21.8 million. Having carefully considered the business environment and development needs of the Group, on 31 March 2022, the Board has resolved to change the proposed use of the Unutilised Net Proceeds in the amount of approximately RMB21.8 million, which was originally allocated for the purposes of (i) increasing production capacity; (ii) cost saving construction; and (iii) increasing market awareness and image of the Group, to the following purposes: (i) approximately RMB8 million for the repayment of bank loan and other borrowings; (ii) approximately RMB5 million for research and development expenses; and (iii) approximately RMB8.8 million for administrative and management expenses, of which approximately RMB3 million, approximately RMB1.5 million, approximately RMB3 million and approximately RMB1.3 million will be used for salary adjustment of key employees, hiring additional employees, settling legal and professional advisers’ expenses and other corporate purposes, respectively.

## OTHER INFORMATION *(Continued)*

Set out below is the original and revised allocation of the Net Proceeds and the actual use of the Net Proceeds from the Listing Date to 31 December 2024:

	Original planned use of the Net Proceeds RMB'000	Reallocation of Unutilised Net Proceeds as at 31 March 2022 RMB'000	Revised use of the Net Proceeds RMB'000	Actual use of Net Proceeds from the Listing Date to 31 December 2024 RMB'000	Unused Net Proceeds as at 31 December 2024 RMB'000	Expected date of full utilisation of unused Net Proceeds
Increase production capacity	23,521	(5,222)	18,299	18,299	-	-
Cost saving construction	15,709	(15,709)	-	-	-	-
Continuous product development and innovation	5,208	-	5,208	5,208	-	-
Increase market awareness and image of the Group	3,385	(869)	2,516	2,516	-	-
Improve the current information management system	260	-	260	260	-	-
Repayment of bank loan and other borrowings	-	8,000	8,000	8,000	-	-
Research and development expenses	-	5,000	5,000	5,000	-	-
Administrative and management expenses	-	-	-	-	-	-
— Salary adjustment for key employees	-	3,000	3,000	1,689	1,311	On or before 31 December 2025
— Hiring of additional employees	-	1,500	1,500	1,500	-	-
— Legal and professional advisers' expenses	-	3,000	3,000	3,000	-	-
— Other general corporate purposes	-	1,300	1,300	1,300	-	-
	48,083	-	48,083	46,772	1,311	

**Note:** The expected date of full utilisation of the unused Net Proceeds was based on the best estimation of the future market conditions made by the Group. It would be subject to change based on the current and future development of market conditions.

## **OTHER INFORMATION** *(Continued)*

The unused Net Proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong and the PRC.

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

### **SHARE OPTION SCHEME**

A share option scheme of the Company (the "Share Option Scheme") was approved and adopted by the shareholders of the Company at its extraordinary general meeting held on 10 February 2022 (the "Adoption Date").

During the six months ended 31 December 2024, no Share Options were granted and exercised under the Share Option Scheme. As at 31 December 2024, the total number of ordinary shares in respect of which Share Options had been granted and remained outstanding under the Share Option Scheme was 34,042,688 (representing approximately 2.13% of the Company's Shares in issue as at 31 December 2024). The exercise price of the Share Options granted under the Share Option Scheme is HK\$0.461 per share. The number of Share Options available for grant under the Share Option Scheme mandate as at 1 July 2024 and 31 December 2024 was 52,734,137 and 52,734,137, respectively.

The number of shares that may be issued in respect of Share Options granted under the Share Option Scheme of the Company during the period (i.e. 34,042,688 shares) divided by the weighted average number of shares of the Company's shares in issue (excluding treasury shares) (i.e. 1,596,134,067 shares) for the period was approximately 2.13%.

The principal terms of the Share Option Scheme and details of the grant of Share Options are set out in the circular of the Company dated 21 January 2022 and the announcement of the Company dated 31 May 2022.

## OTHER INFORMATION *(Continued)*

Particulars of the movement of the Share Options held by the Directors and employees of the Group during the six months ended 31 December 2024 were as follows:

Name or category of participants	Date of Grant <i>(Note b)</i>	Exercise price <i>(Note a)</i>	Vesting & exercise period	At 1 July 2024	Granted during the period	Number of share options			At 31 December 2024
						Exercised during the period	Lapsed/ Forfeited during the period	Cancelled during the period	
Directors									
Mr. Chen Hongwei	31 May 2022	HK\$0.461	<i>Note b</i>	553,359	–	–	–	–	553,359
Mr. Cai Haifeng	31 May 2022	HK\$0.461	<i>Note b</i>	553,360	–	–	–	–	553,360
Mr. Heng, Keith Kai Neng	31 May 2022	HK\$0.461	<i>Note b</i>	332,016	–	–	–	–	332,016
Mr. Yao Yang Yang	31 May 2022	HK\$0.461	<i>Note b</i>	332,016	–	–	–	–	332,016
Ms. Zhang Dong Fang	31 May 2022	HK\$0.461	<i>Note b</i>	332,016	–	–	–	–	332,016
Other Employees	31 May 2022	HK\$0.461	<i>Note b</i>	32,271,937	–	–	(332,016)	–	31,939,921
In aggregate				34,374,704	–	–	(332,016)	–	34,042,688

### Notes:

(a) On 18 April 2024, the Group has successfully issued and allotted 532,044,689 new ordinary shares at HK\$0.20 per share through an open offer (the "Open Offer") to existing Shareholders on the basis of one open offer share for every two existing shares held by the qualifying shareholders on 16 February 2024, the record date. Pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules, the exercise price and the number of Shares to be issued upon exercise of the outstanding Share Options were adjusted immediately after the completion of the Open Offer (i.e. 18 April 2024). Save for the above adjustments, all other terms and conditions of the outstanding Share Options granted under the Share Option Scheme remain unchanged.

(b) The validity period of the Share Options granted on 31 May 2022 is from 31 May 2022 to 30 May 2032.

The Share Options granted on 31 May 2022 shall be vested and are exercisable in the following manners:

- (i) 30% of the Share Options may be exercisable at any time commencing from the Date of Grant up to 30 May 2032;
- (ii) 30% of the Share Options and the first 30% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2023 up to 30 May 2032; and
- (iii) the remaining 40% of the Share Options and the first 60% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2024 up to 30 May 2032.

The closing price of the Company's shares immediately before the date on which the Share Options were granted was HK\$0.49 per share.

## OTHER INFORMATION *(Continued)*

If all such Share Options were exercised, there would be a dilution effect on the shareholdings of shareholders of approximately 2.09% as at 31 December 2024.

The estimated value of the Share Options granted under the Share Option Scheme, calculated using the binomial lattice model, as at the Date of Grant of the Share Options was approximately HK\$9,034,000.

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 and early exercise multiple. The measurement date used in the valuation calculations was the date on which the options were granted.

Share price (HK\$)	0.51
Exercise price (HK\$)	0.51
Expected volatility (%)	70.1
Expected dividend yield (%)	0.0
Risk-free interest rate (%)	2.8

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.

The fair value calculated for the Share Options is inherently subjective due to the assumptions made and the limitations of the model utilised.

## OTHER INFORMATION *(Continued)*

### LEGAL PROCEEDINGS

Zhejiang Huazhang Technology Limited (“Zhejiang Huazhang”), a wholly owned subsidiary of the Company, received a first instance judgment (the “Judgment”) dated 24 December 2021 handed down by the Intermediate People’s Court of Chuxiong Yi Autonomous Prefecture of Yunnan Province (雲南省楚雄彝族自治州中級人民法院) (the “Court”) in the PRC in relation to a contractual dispute between Hubei Industrial Construction Group Installation Engineering Company Limited (湖北省工業建築集團安裝工程有限公司) (“Plaintiff”) as plaintiff and Yunnan Yunhong Paper Company Limited (雲南雲泓紙業有限公司) as defendant. Zhejiang Huazhang was also named as a co-defendant in the legal proceedings.

Zhejiang Huazhang had lodged an appeal application (the “Appeal Application”) with the Higher People’s Court of Yunnan Province (雲南省高級人民法院) (the “Appeal Court”) against the Judgment. The Appeal Application approved on 22 August 2022 whereby the Appeal Court ordered, among other things, to set aside the initial Judgement. However, the order made on 12 January 2022 to freeze the aggregate amount of approximately RMB37.6 million in the bank accounts remains in effect.

On 20 December 2023, the Appeal Court accepted the Plaintiff’s request to continue to freeze certain bank accounts of Zhejiang Huazhang to the amount of approximately RMB37.6 million for an additional year.

On 28 June 2024, Zhejiang Huazhang received a judgement from the Court for the retrial of the first instance case in which the Court awarded the Plaintiff compensation for breach of contract in the amount of RMB32,994,295 which had already been recognised.

On 5 August 2024, Zhejiang Huazhang lodged a second appeal application with Appeal Court.

On 1 November 2024, Zhejiang Huazhang received the final verdict of the first instance case in which the Appeal Court awarded the Plaintiff compensation for breach of contract in the amount of RMB28,516,975. The Group settled the amount on 11 November 2024. Based on the final verdict, an over provision of RMB4,477,320 was recognised in the six months ended 31 December 2024.

The above legal proceedings had no material adverse impact on the business operation and financials of the Group.

## OTHER INFORMATION *(Continued)*

### CORPORATE GOVERNANCE PRACTICES

A positive corporate culture set up by the Company, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. The Company's corporate culture instils all levels of the Group. The Group delivers responsible products and services to our customers in a fair and good manner. We also foster an inclusive and supportive working environment and implement a framework to maintain good governance and effective risk management systems.

The Board reported that the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Part 2 of Appendix C1 to the Listing Rules for the six months ended 31 December 2024, except the following deviation:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive should be clearly established and set out in writing. Mr. Fang Hui was appointed as the chairman of the Board from 3 May 2024. Following the resignation of Mr. Wang Ai Yan as an executive Director and the Chief Executive Officer (the "CEO") of the Company on 1 December 2022, the Company has not appointed an individual to take up the vacancy of the CEO. The role and function of the CEO have been performed by all the executive Directors collectively.

The daily operation and management of the Company is monitored by the executive directors as well as the senior management. The Board is of the view that the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meet from time to time to discuss issues affecting operation of the Company. The Board has been nevertheless reviewing the structure and composition of the Board from time to time in light of prevailing circumstances.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code for the six months ended 31 December 2024 and they all confirmed that they have fully complied with the required standard set out in the Model Code.

## OTHER INFORMATION *(Continued)*

### INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2024 (six months ended 31 December 2023: Nil).

### AUDIT COMMITTEE

The audit committee (the “Audit Committee”) of the Company was established on 6 May 2013. The Audit Committee consists of three independent non-executive Directors namely, Mr. Heng, Keith Kai Neng, Mr. Yao Yang Yang and Ms. Zhang Dong Fang. The Audit Committee is chaired by Mr. Heng, Keith Kai Neng.

The Audit Committee has reviewed and discussed with the management about the accounting principles and practices adopted by the Group, and has reviewed the Group’s unaudited interim condensed consolidated financial statements for the six months ended 31 December 2024 and the interim report.

By order of the Board  
**Huazhang Technology Holding Limited**  
**Fang Hui**  
*Chairman and executive Director*

Hong Kong, 27 February 2025



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 31 December	
	Notes	2024 (Unaudited) RMB	2023 (Unaudited) RMB
<b>REVENUE</b>	6	<b>195,645,329</b>	166,969,868
Cost of sales		<b>(155,031,902)</b>	(139,124,414)
<b>Gross profit</b>		<b>40,613,427</b>	27,845,454
Selling and distribution expenses		<b>(5,340,346)</b>	(6,459,874)
Administrative expenses		<b>(30,595,167)</b>	(30,668,353)
Research and development expenses		<b>(21,029,293)</b>	(10,688,619)
Net impairment losses on financial and contract assets		<b>(429,556)</b>	(1,588,988)
Other income and gains, net	7	<b>10,702,457</b>	5,029,077
<b>OPERATING LOSS</b>		<b>(6,078,478)</b>	(16,531,303)
Finance income		<b>1,358,070</b>	870,341
Finance costs		<b>(1,296,245)</b>	(2,685,934)
Finance cost — net	8	<b>61,825</b>	(1,815,593)
<b>LOSS BEFORE INCOME TAX</b>	9	<b>(6,016,653)</b>	(18,346,896)
Income tax expense	10	<b>(797,739)</b>	(312,849)
<b>LOSS FOR THE PERIOD</b>		<b>(6,814,392)</b>	(18,659,745)
(Loss)/profit attributable to:			
— Shareholders of the Company		<b>(6,944,670)</b>	(18,341,933)
— Non-controlling interests		<b>130,278</b>	(317,812)
		<b>(6,814,392)</b>	(18,659,745)
<b>LOSS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY</b>			(Restated)
— Basic loss per share	12	<b>(0.44)</b>	(1.58)
— Diluted loss per share	12	<b>(0.44)</b>	(1.58)

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 31 December	
	2024 (Unaudited) RMB	2023 (Unaudited) RMB
<b>LOSS FOR THE PERIOD</b>	<b>(6,814,392)</b>	(18,659,745)
<b>OTHER COMPREHENSIVE LOSS</b>		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	(1,028,740)	(22,767)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(1,028,740)</b>	(22,767)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(7,843,132)</b>	(18,682,512)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO:</b>		
— Shareholders of the Company	(7,973,410)	(18,364,700)
— Non-controlling interests	130,278	(317,812)
	<b>(7,843,132)</b>	(18,682,512)

The notes on pages 39 to 76 are an integral part of these condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Notes	As at 31 December 2024 (Unaudited) RMB	As at 30 June 2024 (Audited) RMB
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	51,875,925	54,480,494
Other right-of-use assets	14	2,573,583	3,308,587
Investment properties	15	75,368,799	78,082,033
Prepaid land lease payments	16(i)	69,474,047	70,329,672
Other intangible assets	16(ii)	2,478,739	3,410,806
Goodwill	17	29,902,783	29,902,783
Trade and other receivables	19(i)	4,177,784	4,177,784
Prepayments	19(iii)	124,072	130,602
Deferred tax assets		1,269,208	1,675,488
		<b>237,244,940</b>	245,498,249
<b>CURRENT ASSETS</b>			
Inventories	18	181,699,799	176,049,957
Trade and other receivables	19(i)	196,184,773	157,260,749
Contract assets	19(ii)	49,099,904	67,063,075
Prepayments	19(iii)	64,716,671	62,004,742
Financial assets at fair value through other comprehensive income		39,893,521	52,115,288
Financial assets at fair value through profit or loss ("FVTPL")		—	246,314
Bank fixed deposits	20	60,012,000	60,012,000
Pledged deposits	20	29,970,358	28,647,539
Restricted deposits	20	—	37,599,411
Cash and cash equivalents	20	85,045,180	96,450,667
		<b>706,622,206</b>	737,449,742
<b>Total assets</b>		<b>943,867,146</b>	982,947,991
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		4,247,180	3,991,199
Deferred income	23	18,112,500	18,787,500
Lease liabilities	14	763,123	1,625,401
		<b>23,122,803</b>	24,404,100

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(Continued)*

	Notes	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	21	<b>216,697,445</b>	300,081,917
Contract liabilities		<b>192,827,034</b>	152,879,736
Interest-bearing loans	22	<b>87,390,778</b>	73,367,184
Income tax payable		<b>3,108,312</b>	5,726,048
Lease liabilities	14	<b>1,686,470</b>	1,611,570
		<b>501,710,039</b>	533,666,455
<b>Total liabilities</b>		<b>524,832,842</b>	558,070,555
<b>NET ASSETS</b>		<b>419,034,304</b>	424,877,436
<b>EQUITY</b>			
Share capital	24	<b>13,824,333</b>	13,824,333
Share premium	24	<b>754,015,624</b>	754,015,624
Other reserves	25	<b>124,695,516</b>	125,793,063
Accumulated losses		<b>(475,497,467)</b>	(462,382,400)
Capital and reserves attributable to the shareholders of the Company		<b>417,038,006</b>	431,250,620
Non-controlling interests		<b>1,996,298</b>	(6,373,184)
<b>Total equity</b>		<b>419,034,304</b>	424,877,436

The notes on pages 39 to 76 are an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the shareholders of the Company					Non-controlling interests RMB	Total equity RMB
	Share capital RMB	Share premium RMB	Other reserves RMB (Note 25)	Accumulated losses RMB	Total RMB		
<b>Balance at 1 July 2024 (audited)</b>	<b>13,824,333</b>	<b>754,015,624</b>	<b>125,793,063</b>	<b>(462,382,400)</b>	<b>431,250,620</b>	<b>(6,373,184)</b>	<b>424,877,436</b>
(Loss)/profit for the period	-	-	-	(6,944,670)	(6,944,670)	130,278	(6,814,392)
Other comprehensive loss	-	-	(1,028,740)	-	(1,028,740)	-	(1,028,740)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(1,028,740)</b>	<b>(6,944,670)</b>	<b>(7,973,410)</b>	<b>130,278</b>	<b>(7,843,132)</b>
Acquisition of additional interest in a subsidiary	-	-	-	(6,239,204)	(6,239,204)	6,239,204	-
Capital contribution from non-controlling interest	-	-	-	-	-	2,000,000	2,000,000
Forfeited share options	-	-	(68,807)	68,807	-	-	-
<b>Balance at 31 December 2024 (unaudited)</b>	<b>13,824,333</b>	<b>754,015,624</b>	<b>124,695,516</b>	<b>(475,497,467)</b>	<b>417,038,006</b>	<b>1,996,298</b>	<b>419,034,304</b>
<b>Balance at 1 July 2023 (audited)</b>	<b>8,907,761</b>	<b>663,145,447</b>	<b>130,456,325</b>	<b>(444,404,248)</b>	<b>358,105,285</b>	<b>(6,505,039)</b>	<b>351,600,246</b>
Loss for the period	-	-	-	(18,341,933)	(18,341,933)	(317,812)	(18,659,745)
Other comprehensive loss	-	-	(22,767)	-	(22,767)	-	(22,767)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(22,767)</b>	<b>(18,341,933)</b>	<b>(18,364,700)</b>	<b>(317,812)</b>	<b>(18,682,512)</b>
Share option	-	-	584,307	-	584,307	-	584,307
<b>Balance at 31 December 2023 (unaudited)</b>	<b>8,907,761</b>	<b>663,145,447</b>	<b>131,017,865</b>	<b>(462,746,181)</b>	<b>340,324,892</b>	<b>(6,822,851)</b>	<b>333,502,041</b>

The notes on pages 39 to 76 are an integral part of these condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 31 December	
	2024 (Unaudited) RMB	2023 (Unaudited) RMB
<b>Operating activities</b>		
Cash (used in)/generated from operations	(22,555,448)	3,479,535
Income tax paid	(2,753,214)	(807,254)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(25,308,662)</b>	<b>2,672,281</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(87,731)	(405,531)
Purchase of other intangible assets	(185,134)	(129,825)
Proceeds from disposal of financial assets at FVTPL	2,861,136	—
Interest received	1,050,495	870,341
<b>Net cash inflow from investing activities</b>	<b>3,638,766</b>	<b>334,985</b>
<b>Financing activities</b>		
Proceeds from interest-bearing loans	48,020,000	43,010,800
Repayment of interest-bearing loans	(34,000,000)	(9,000,000)
Repayment of loans for independent third party	—	(40,000,000)
Interest paid	(1,292,651)	(1,970,365)
Capital contribution from non-controlling in interest	2,000,000	—
Principal elements of lease payments	(937,461)	(730,409)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>13,789,888</b>	<b>(8,689,974)</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS** *(Continued)*

		For the six months ended 31 December	
	Notes	2024 (Unaudited) RMB	2023 (Unaudited) RMB
<b>Net decrease in cash and cash equivalents</b>		<b>(7,880,008)</b>	(5,682,708)
Cash and cash equivalents at beginning of the period	20	<b>96,450,667</b>	43,983,025
Effect of exchange rate changes on cash and cash equivalent		<b>(3,525,479)</b>	(870,330)
<b>Cash and cash equivalents at end of the period</b>	20	<b>85,045,180</b>	37,429,987

The notes on pages 39 to 76 are an integral part of these condensed consolidated interim financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2024

## 1 GENERAL INFORMATION

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 Group is principally engaged in the research and development, manufacture and sale of industrial products, project contracting services, environmental products and the provision of supporting services in the People's Republic of China (the "PRC").

These condensed consolidated interim financial statements are presented in Renminbi Yuan ("RMB"), unless otherwise stated. These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 27 February 2025.

These condensed consolidated interim financial statements have not been audited.

## 2 BASIS OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 31 December 2024 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") except for the adoption of new and amended standards as disclosed in Note 3.1.

## 3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2024, as described in those annual financial statements.

### 3.1 *New and amended standards adopted by the Group*

The Group has applied the new standards, amendments to standards and interpretation that has been issued and effective for the annual reporting period commencing 1 July 2024. The adoption of these new standards and amendments to standards has no material impact on the Group's results and financial position.



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

For the six months ended 31 December 2024

**3 SIGNIFICANT ACCOUNTING POLICIES** *(Continued)***3.2 New standards, amendments and interpretations not yet adopted by the Group**

In the current period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2024 for the preparation of the condensed consolidated interim financial statements:

<b>Standards, amendments and interpretations</b>	<b>Key requirements</b>	<b>Effective for annual periods beginning on or after</b>
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS Accounting Standards (Amendments)	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027

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

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

For the six months ended 31 December 2024

**4 ESTIMATE**

The preparation of condensed consolidated interim financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 June 2024.

**5 FINANCIAL RISK MANAGEMENT****5.1 Financial risk factors**

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

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2024.

There have been no significant changes in any risk management policies since the last reporting period.

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

For the six months ended 31 December 2024

### 6 SEGMENT INFORMATION

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

**Industrial products** — sales and manufacturing of industrial automation systems and headboxes;

**Project contracting services** — provision of design, procurement of parts, installation and project management services of production line in paper production factories;

**Environmental products** — provision of total wastewater treatment solution to customers including sales of sludge treatment products; and

**Supporting services** — including after-sales and machine running services, warehouse and logistic services, supply chain services, rental income and renovation 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, finance costs, net and income tax expense are excluded from such measurement.

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

For the six months ended 31 December 2024

**6 SEGMENT INFORMATION** (Continued)

The segment results for the six months ended 31 December 2024 (unaudited):

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Total RMB
<b>Segment revenue from external customers within the scope of HKFRS 15</b>					
Sales of industrial products	108,812,365	–	–	–	108,812,365
Provision of project contracting services	–	54,352,034	–	–	54,352,034
Provision of after sales and machine running services	–	–	–	27,979,638	27,979,638
Provision of sludge treatment products	–	–	1,504,042	–	1,504,042
<b>Revenue from other sources</b>					
Rental income from investment properties	–	–	–	2,997,250	2,997,250
Total segment revenue	108,812,365	54,352,034	1,504,042	30,976,888	195,645,329
<b>Timing of revenue recognition</b>					
At a point in time	108,812,365	–	–	27,979,638	136,792,003
Over time	–	54,352,034	1,504,042	2,997,250	58,853,326
Total segment revenue	108,812,365	54,352,034	1,504,042	30,976,888	195,645,329
Segment cost of sales	(84,511,934)	(43,305,485)	(378,143)	(26,836,340)	(155,031,902)
Segment gross profit	24,300,431	11,046,549	1,125,899	4,140,548	40,613,427
Segment results	5,984,945	(864,963)	504,114	(8,661,498)	(3,037,402)
Common administrative expenses					(13,560,907)
Other income and gains, net					10,519,831
Finance costs, net (Note 8)					61,825
Loss before income tax					(6,016,653)
Income tax expense					(797,739)
Loss for the period					(6,814,392)

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

For the six months ended 31 December 2024

**6 SEGMENT INFORMATION** (Continued)

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	Total RMB
Capital expenditure	45,713	–	–	227,152	–	272,865
Depreciation of property, plant and equipment	500,072	515,610	337,106	1,349,386	–	2,702,174
Depreciation of other right-of-use assets	–	–	–	–	735,004	735,004
Depreciation of investment properties	–	–	–	2,557,863	155,371	2,713,234
Loss on write off of property, plant and equipment	1,455	1,415	36	728	–	3,634
Net impairment loss on financial and contract assets	137,416	167,397	4,218	120,525	–	429,556
Amortisation of prepaid land lease payments	53,193	–	70,576	668,210	63,646	855,625
Amortisation of other intangible assets	1,023,925	–	–	93,276	–	1,117,201
Allowance for inventories	2,762,268	3,364,922	84,782	1,732,213	–	7,944,185
Gain on disposal of financial assets at FVTPL	–	–	–	–	2,614,822	2,614,822

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

For the six months ended 31 December 2024

**6 SEGMENT INFORMATION** *(Continued)*

The segment results for the six months ended 31 December 2023 (unaudited):

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Total RMB
<b>Segment revenue from external customers within the scope of HKFRS 15</b>					
Sales of industrial products	91,453,220	–	–	–	91,453,220
Provision of project contracting services	–	54,049,362	–	–	54,049,362
Provision of after sales and machine running services	–	–	–	10,061,033	10,061,033
Provision of sludge treatment products	–	–	4,595,969	–	4,595,969
<b>Revenue from other sources</b>					
Rental income from investment properties	–	–	–	6,810,284	6,810,284
Total segment revenue	91,453,220	54,049,362	4,595,969	16,871,317	166,969,868
<b>Timing of revenue recognition</b>					
At a point in time	91,453,220	–	2,633,541	10,061,033	104,147,794
Over time	–	54,049,362	1,962,428	6,810,284	62,822,074
Total segment revenue	91,453,220	54,049,362	4,595,969	16,871,317	166,969,868
Segment cost of sales	(75,072,254)	(45,183,569)	(3,405,405)	(15,463,186)	(139,124,414)
Segment gross profit	16,380,966	8,865,793	1,190,564	1,408,131	27,845,454
Segment results	790,543	(3,934,228)	(785,371)	(12,054,771)	(15,983,827)
Common administrative expenses					(5,576,553)
Other income and gains, net (Note 7)					5,029,077
Finance costs, net (Note 8)					(1,815,593)
Loss before income tax					(18,346,896)
Income tax expense					(312,849)
Loss for the period					(18,659,745)

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

For the six months ended 31 December 2024

**6 SEGMENT INFORMATION** (Continued)

Other segment information:

	Industrial products RMB	Project contracting services RMB	Environmental products RMB	Supporting services RMB	Unallocated RMB	Total RMB
Capital expenditure	19,373	–	–	515,983	–	535,356
Depreciation of property, plant and equipment	677,798	11,384	483,805	2,099,777	–	3,272,764
Depreciation of other right-of-use assets	–	–	–	–	889,677	889,677
Depreciation of investment properties	–	–	–	2,585,452	135,369	2,740,821
Loss on disposals of property, plant and equipment	891	–	–	2,619	–	3,510
Amortisation of prepaid land lease payments	53,193	–	70,576	668,210	63,646	855,625
Amortisation of other intangible assets	1,256,915	–	–	5,364	–	1,262,279

Note: There were no inter-segment sales during the period.

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

For the six months ended 31 December 2024

**7 OTHER INCOME AND GAINS, NET**

	For the six months ended	
	31 December	
	2024 (Unaudited) RMB	2023 (Unaudited) RMB
Government grants	1,773,139	734,750
Other tax refund	2,324,493	1,104,412
Rental income	182,626	151,685
Sales of scrap materials	597	448,201
Gain on disposal of financial assets at FVTPL	2,614,822	–
Over provision for claims, net (Note i)	4,477,320	–
Write back of trade and other payables	–	2,365,898
Early termination of lease agreement	–	276,857
Others	(670,540)	(52,726)
	<b>10,702,457</b>	<b>5,029,077</b>

*Notes:*

- (i) As disclosed in note 28 to the condensed consolidated interim financial statements, Zhejiang Huazhang Technology Limited (“Zhejiang Huazhang”) received a judgment from the courts dated 1 November 2024 for the final verdict of the first instance case. The judgment awarded claims amounting to RMB28,516,975 to be paid by Zhejiang Huazhang to the plaintiff. Based on this judgment, an over provision of RMB4,477,320 was recognised in the six months ended 31 December 2024.



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

For the six months ended 31 December 2024

**8 FINANCE COSTS — NET**

	<b>For the six months ended 31 December</b>	
	<b>2024 (Unaudited) RMB</b>	<b>2023 (Unaudited) RMB</b>
Finance income		
Exchange gains, net	<b>307,575</b>	—
Interest income	<b>1,050,495</b>	870,341
	<b>1,358,070</b>	870,341
Finance costs		
Interest on loans	<b>(1,188,263)</b>	(1,710,257)
Interest on other payables	—	(92,210)
Interest paid/payable for lease liabilities	<b>(107,982)</b>	(167,898)
Exchange losses, net	—	(715,569)
	<b>(1,296,245)</b>	(2,685,934)
Finance costs — net	<b>61,825</b>	(1,815,593)

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

For the six months ended 31 December 2024

**9 LOSS BEFORE INCOME TAX**

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

	<b>For the six months ended 31 December</b>	
	<b>2024 (Unaudited) RMB</b>	<b>2023 (Unaudited) RMB</b>
Allowance for inventories	<b>7,944,185</b>	–
Employee benefit expenses	<b>29,005,420</b>	24,614,032
Cost of inventories	<b>123,905,584</b>	121,641,973
Depreciation of property, plant and equipment	<b>2,702,174</b>	3,272,764
Professional service fees	<b>3,681,582</b>	4,116,380
Depreciation of investment properties	<b>2,713,234</b>	2,740,821
Amortisation of other intangible assets	<b>1,117,201</b>	1,262,279
Depreciation of other right-of-use assets	<b>735,004</b>	889,677
Amortisation of prepaid land lease payments	<b>855,625</b>	855,625
Loss on write off of property, plant and equipment	<b>3,634</b>	–
Loss on disposal of property, plant and equipment	<b>–</b>	3,510

**10 INCOME TAX EXPENSE**

	<b>For the six months ended 31 December</b>	
	<b>2024 (Unaudited) RMB</b>	<b>2023 (Unaudited) RMB</b>
Current income tax		
PRC enterprise income tax	<b>681,244</b>	602,634
Deferred income tax	<b>116,495</b>	(289,785)
Income tax expense	<b>797,739</b>	312,849

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

For the six months ended 31 December 2024

**10 INCOME TAX EXPENSE** *(Continued)****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 is 25% according to the EIT Law. Under the relevant regulations of the 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 and extended in December 2023 for a further three years. The applicable EIT rate of Zhejiang Huazhang is 15% from December 2023 till November 2026 (2023: December 2020 to November 2023). Thus the applicable income tax rate for Zhejiang Huazhang was 15% (six months ended 31 December 2023: 15%) for the six months ended 31 December 2024.

The applicable EIT rate of Hangzhou Haorong Technology Co., Ltd ("Haorong") is 25% according to the EIT Law. Under the relevant regulations of the EIT Law, Haorong qualified as a Small and micro-profit enterprises from January 2023 to December 2027. The applicable EIT rate of Haorong is 5% (from January 2023 to December 2027). Thus the applicable income tax rate for Haorong was 5% (six months ended 31 December 2023: 5%) for the six months ended 31 December 2024.

**11 DIVIDENDS**

No dividends was paid during the six months ended 31 December 2024 (six months ended 31 December 2023: nil).

The Board resolved not to declare any interim dividend for the six months ended 31 December 2024 (six months ended 31 December 2023: nil).

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

For the six months ended 31 December 2024

**12 LOSS PER SHARE**

The calculation of the basic loss per share amount is based on the loss for the period attributable to the shareholders of the Company and the weighted average number of ordinary shares of 1,596,134,067 (six months ended 31 December 2023: 1,162,897,677 (restated)) which represents the shares in issue during the period.

The Company has one (2023: one) potential dilutive ordinary shares: share options (2023: share options). The diluted loss per share is same as the basic loss per share as these potential ordinary shares would have anti-dilutive effect for the six months ended 31 December 2024 and 2023.

	<b>For the six months ended 31 December</b>	
	<b>2024 (Unaudited) RMB</b>	<b>2023 (Unaudited) RMB (Restated)</b>
<b>Basic and diluted Loss</b>		
Loss attributable to the shareholders of the Company	<b>(6,944,670)</b>	(18,341,933)
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period	<b>1,596,134,067</b>	1,162,897,677
Basic and diluted loss per share <i>(RMB cents)</i>	<b>(0.44)</b>	(1.58)

*Note:* The weighted average number of ordinary shares for the six months ended 31 December 2023 has been adjusted for the bonus element of the open offer of the Company's share in 2024.

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

For the six months ended 31 December 2024

**13 PROPERTY, PLANT AND EQUIPMENT**

	Buildings RMB	Machinery and vehicles RMB	Furniture, fittings and equipment RMB	Total RMB
<b>Six months ended 31 December 2024</b>				
Opening net carrying amount as at 1 July 2024 (Audited)	48,626,174	4,127,276	1,727,044	54,480,494
Additions	–	15,044	72,687	87,731
Write-off	–	–	(3,634)	(3,634)
Depreciation charge	(2,019,630)	(462,069)	(220,475)	(2,702,174)
Exchange difference	7,309	4,485	1,714	13,508
<b>Closing net carrying amount as at 31 December 2024 (Unaudited)</b>	<b>46,613,853</b>	<b>3,684,736</b>	<b>1,577,336</b>	<b>51,875,925</b>
<b>Six months ended 31 December 2023</b>				
Opening net carrying amount as at 1 July 2023 (Audited)	52,944,072	7,874,297	1,729,792	62,548,161
Additions	–	28,319	377,212	405,531
Disposals	–	–	(3,510)	(3,510)
Depreciation charge	(2,177,098)	(830,839)	(264,827)	(3,272,764)
Exchange difference	(17,971)	(9,425)	(4,708)	(32,104)
<b>Closing net carrying amount as at 31 December 2023 (Unaudited)</b>	<b>50,749,003</b>	<b>7,062,352</b>	<b>1,833,959</b>	<b>59,645,314</b>

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

For the six months ended 31 December 2024

**14 LEASES**

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

**(i) Amounts recognised in the condensed consolidated statement of financial position**

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

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
<b>Right-of-use assets</b>		
Buildings	<b>2,573,583</b>	3,308,587
Prepaid land lease payments <i>(Note 16(i))</i>	<b>69,474,047</b>	70,329,672
	<b>72,047,630</b>	73,638,259
<b>Lease liabilities</b>		
Current	<b>1,686,470</b>	1,611,570
Non-current	<b>763,123</b>	1,625,401
	<b>2,449,593</b>	3,236,971

No additions to the right-of-use assets during the six months ended 31 December 2024 (year ended 30 June 2024: nil).

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

For the six months ended 31 December 2024

**14 LEASES** *(Continued)***(ii) Amounts recognised in the condensed consolidated statement of profit or loss**

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

	<b>For the six months ended 31 December</b>	
	<b>2024 (Unaudited) RMB</b>	<b>2023 (Unaudited) RMB</b>
<b>Depreciation charge of right-of-use assets</b>		
Buildings	<b>735,004</b>	889,677
Prepaid land lease payments	<b>855,625</b>	855,625
	<b>1,590,629</b>	1,745,302
Interest expense	<b>107,982</b>	167,898
Expense relating to short-term leases	<b>937,461</b>	460,092

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

For the six months ended 31 December 2024

**15 INVESTMENT PROPERTIES**

	<b>Investment properties</b> RMB
<b>Six months ended 31 December 2024</b>	
Opening net carrying amount as at 1 July 2024 (Audited)	<b>78,082,033</b>
Depreciation charge	<b>(2,713,234)</b>
<b>Closing net carrying amount as at 31 December 2024 (Unaudited)</b>	<b>75,368,799</b>
<b>Six months ended 31 December 2023</b>	
Opening net carrying amount as at 1 July 2023 (Audited)	83,536,088
Depreciation charge	(2,740,821)
<b>Closing net carrying amount as at 31 December 2023 (Unaudited)</b>	80,795,267

**16 PREPAID LAND LEASE PAYMENTS AND OTHER INTANGIBLE ASSETS****(i) Prepaid land lease payments**

	<b>Six months ended 31 December</b>	
	<b>2024</b> <b>(Unaudited)</b> RMB	2023 (Unaudited) RMB
Opening net carrying amount	<b>70,329,672</b>	72,040,922
Amortisation charge	<b>(855,625)</b>	(855,625)
<b>Closing net carrying amount</b>	<b>69,474,047</b>	71,185,297



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

For the six months ended 31 December 2024

**16 PREPAID LAND LEASE PAYMENTS AND OTHER INTANGIBLE ASSETS**

(Continued)

**(ii) Other intangible assets**

	Patents RMB	Software RMB	Total RMB
<b>Six months ended 31 December 2024</b>			
Opening net carrying amount as at 1 July 2024 (Audited)	2,559,812	850,994	3,410,806
Additions	–	185,134	185,134
Amortisation charge	(1,023,925)	(93,276)	(1,117,201)
<b>Closing net carrying amount as at 31 December 2024 (Unaudited)</b>	<b>1,535,887</b>	<b>942,852</b>	<b>2,478,739</b>
<b>Six months ended 31 December 2023</b>			
Opening net carrying amount as at 1 July 2023 (Audited)	4,607,662	1,002,637	5,610,299
Additions	–	129,825	129,825
Amortisation charge	(1,023,925)	(238,354)	(1,262,279)
<b>Closing net carrying amount as at 31 December 2023 (Unaudited)</b>	<b>3,583,737</b>	<b>894,108</b>	<b>4,477,845</b>

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

For the six months ended 31 December 2024

**17 GOODWILL**

	Headbox business RMB	Logistics and warehousing services RMB	Others RMB	Total RMB
Opening net carrying amount as at 1 July 2023 (Audited)	29,306,413	–	596,370	29,902,783
Closing net carrying amount as at 30 June 2024 (audited) and 31 December 2024 (unaudited)	29,306,413	–	596,370	29,902,783

Goodwill of the Group mainly arose from the acquisition of Hangzhou Haorong Technology Co., Ltd (“Haorong”) and Hangzhou MCN Paper Tech Co., Ltd (“MCN”) (together, the “MCN Group”) in 2017 which represent the group of cash generating unit (“CGU”) in the headbox business and Fu An 777 Logistics Limited (“777 Logistics”, together with its subsidiaries, collectively known as the “777 Logistics Group”) in 2017 which represent the CGU of logistics and warehousing services.

**MCN**

MCN is a company established under the laws of the PRC and principally engaged in the research, development and distribution of headbox. Since its establishment in 2001, MCN has developed various kinds of stainless headboxes including rectifier roll headbox, hydraulic headbox, turbulence channel headbox, inclined wire and cylinder former headbox and turbulent flow away headbox etc which were customised for its customers. It also provides equipment installation, operation instruction and consultation services for its customers. Customers of MCN are located across the PRC and are primarily engaged in paper manufacturing.

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

For the six months ended 31 December 2024

**17 GOODWILL** (Continued)**Haorong**

Haorong is a company established under the laws of the PRC. Since its establishment in 2006, it has principally engaged in the business of research, development and distribution of headboxes. It has developed various kinds of high frequency shake, headbox control system, etc. and provided equipment installation, operation instruction and consultation services in accordance with the specifications and requirements provided by its customers, which are primarily engaged in paper manufacturing in the PRC. Haorong was regarded as a “High-tech Enterprise in Hangzhou City” (杭州市高新技術企業) and a “Medium and Small Technology Enterprise in Zhejiang Province” (浙江省科技型中小企業).

Goodwill is allocated to the group of CGUs 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 testing purposes.

**18 INVENTORIES**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Raw materials	<b>123,560,823</b>	122,806,452
Work in progress	<b>60,115,014</b>	59,605,548
Finished goods	<b>34,054,646</b>	21,724,456
	<b>217,730,483</b>	204,136,456
Less: provision	<b>(36,030,684)</b>	(28,086,499)
	<b>181,699,799</b>	176,049,957

As at 31 December 2024, raw materials and finished goods with a cost of RMB26,248,378 and RMB13,451,387 were considered as obsolete (30 June 2024: RMB26,248,378 and RMB13,451,387 respectively) and a provision of RMB22,618,397 and RMB13,412,287 (30 June 2024: RMB14,674,212 and RMB13,412,287 respectively) to write down their carrying amount to their net realisable value was made against these raw materials and finished goods respectively.

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

For the six months ended 31 December 2024

**19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS****(i) Trade and other receivables**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Trade receivables	<b>260,496,639</b>	278,300,573
Less: provision for impairment of trade receivables	<b>(182,749,212)</b>	(183,367,508)
Trade receivables	<b>77,747,427</b>	94,933,065
Bills receivables	<b>80,536,325</b>	36,158,340
	<b>158,283,752</b>	131,091,405
Consideration receivable for sale of equity investment at FVTPL	<b>4,774,614</b>	4,774,614
Deductible input value added tax	<b>913,438</b>	913,438
Loan to a customer	<b>2,017,636</b>	703,948
Other receivables — guarantee	<b>844,804</b>	1,220,243
Others <i>(note)</i>	<b>33,528,313</b>	22,734,885
Other receivables	<b>42,078,805</b>	30,347,128
Total trade and other receivables	<b>200,362,557</b>	161,438,533
Less: trade and other receivables — non-current portion	<b>(4,177,784)</b>	(4,177,784)
	<b>196,184,773</b>	157,260,749

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

For the six months ended 31 December 2024

**19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS** *(Continued)***(i) Trade and other receivables** *(Continued)**Note:*

As at 31 December 2024 (unaudited), included in others are the gross carrying amounts of RMB49,103,484 (30 June 2024: RMB49,103,484, audited), RMB39,541,029 (30 June 2024: RMB39,541,029, audited) and RMB6,999,500 (30 June 2024: RMB6,999,500, audited) due from the abnormal transactions and balance of the Tongxiang Yuxin Electric Co., Ltd. ("Yuxin Electric"), Tongxiang Jiafu Papermaking Equipment Co., Ltd. ("Jiafu Paper") and Zhejiang Hua Zhang Fibertech Co., Ltd. ("Fibertech") related to the subject transactions which were all owned and connected to Mr. Zhu Gen Rong, a former chairman, executive director and substantial shareholder of the Company and the detail is reported to announcement on 26 October 2022, and provision for impairment of RMB49,103,484 (30 June 2024: RMB49,103,484, audited), RMB39,541,029 (30 June 2024: RMB39,541,029, audited), and RMB6,999,500 (30 June 2024: RMB6,999,500, audited) respectively.

At 31 December 2024 (unaudited), the net carrying amount of others of RMB33,528,313 (30 June 2024: RMB22,734,885, audited) included gross carrying amount of RMB10,000,000 (30 June 2024: RMB10,000,000, audited) with a provision for impairment of RMB2,492 (30 June 2024: RMB2,492, audited) in relation to a tender deposit for the investment in a distressed company, gross carrying amount of RMB12,794,746 (30 June 2024: RMB12,794,746, audited) with a provision for impairment of RMB6,361,543 (30 June 2024: RMB6,361,543, audited) in relation to performance deposits for contracts, gross carrying amount of RMB10,000,000 (30 June 2024: nil) without a provision for impairment (30 June 2024: nil) in relation to loan receivable to third party at an average rate of 4% per annum (2023: nil) and remaining gross carrying amount of RMB10,066,102 (30 June 2024: RMB9,272,674, audited) with a provision for impairment of RMB2,968,500 (30 June 2024: RMB2,968,500, audited) due from several other independent third parties.

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

For the six months ended 31 December 2024

**19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS** *(Continued)***(i) Trade and other receivables** *(Continued)*

- (a) The ageing analysis of the net amount of trade receivables based on the date of the invoice is as follows:

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Up to 3 months	<b>46,500,150</b>	60,542,529
3 months to 6 months	<b>2,272,951</b>	4,589,665
6 months to 1 year	<b>5,849,362</b>	23,369,079
1 year to 2 years	<b>17,744,474</b>	1,213,549
Over 2 years	<b>5,380,490</b>	5,218,243
	<b>77,747,427</b>	94,933,065

- (b) As at 31 December 2024 (unaudited), provisions amounting to RMB182,749,212 (30 June 2024: RMB183,367,508, audited) and RMB187,507,614 (30 June 2024: RMB187,507,887, audited) were made on certain trade receivables and other receivables respectively given that certain customers were in significant financial difficulty and had defaulted in scheduled payments and there was significant uncertainty of recovering these trade and other receivables.

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

For the six months ended 31 December 2024

**19 TRADE AND OTHER RECEIVABLES, CONTRACT ASSETS AND PREPAYMENTS** *(Continued)***(ii) Contract assets**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Retention receivables	<b>32,019,719</b>	29,033,525
Contract assets relating to project contracting services	<b>29,836,113</b>	51,326,527
Less: provision for impairment of contract assets	<b>(12,755,928)</b>	(13,296,977)
	<b>49,099,904</b>	67,063,075

**(iii) Prepayments**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Prepayments for procurement	<b>63,588,631</b>	58,497,187
Others	<b>1,252,112</b>	3,638,157
Total prepayments	<b>64,840,743</b>	62,135,344
Less: prepayments — non-current portion	<b>(124,072)</b>	(130,602)
	<b>64,716,671</b>	62,004,742

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

For the six months ended 31 December 2024

**20 CASH AND CASH EQUIVALENTS/PLEDGED DEPOSITS/RESTRICTED DEPOSITS**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Cash at bank and on hand	<b>175,027,538</b>	222,709,617
Less: bank fixed deposits	<b>(60,012,000)</b>	(60,012,000)
Less: pledged deposits ( <i>note i</i> )	<b>(29,970,358)</b>	(28,647,539)
Less: restricted deposits ( <i>note ii</i> )	–	(37,599,411)
Cash and cash equivalents	<b>85,045,180</b>	96,450,667

- (i) The pledged deposits represent cash set aside as deposits for issuance of trade facilities such as bills payable and bank guarantee.
- (ii) At 31 December 2024 (unaudited), as disclosed in note 28 to the condensed consolidated interim financial statements, the Group's restricted bank deposits was released by courts in the PRC in settlement of certain claims against the Group in the amount of RMB28,516,975 (30 June 2024: RMB37,599,411 was frozen, audited).



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

For the six months ended 31 December 2024

**21 TRADE AND OTHER PAYABLES**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	As at 30 June 2024 (Audited) RMB
Trade payables	<b>139,488,413</b>	166,907,010
Bills payable	<b>7,446,367</b>	32,646,273
Trade and bills payables	<b>146,934,780</b>	199,553,283
Other taxes payables — value added tax	<b>4,288,016</b>	26,414,207
Deposits for project contracting services	—	6,000,000
Interest-free loan from independent third parties	<b>13,080,800</b>	13,080,800
Amount due to suppliers on a customer's behalf	<b>13,179,745</b>	13,177,942
Provision for legal claims (note)	<b>1,745,813</b>	9,045,762
Accruals	<b>2,201,963</b>	2,880,255
Employee benefit payables	<b>5,605,317</b>	5,679,290
Other deposits	<b>605,275</b>	588,039
Provision for warranty expenses	<b>523,838</b>	523,838
Payables for property, plant and equipment	—	335,180
Others	<b>28,531,898</b>	22,803,321
Sub-total	<b>69,762,665</b>	100,528,634
Total trade and other payables	<b>216,697,445</b>	300,081,917

Note:

As at 31 December 2024 (unaudited), the provision for legal claims amounted to nil (30 June 2024: RMB7,299,949, audited) as the appeal courts of the Higher People's Court of Yunnan Province issued final verdict of the first instance case claims in favour of the plaintiff on 1 November 2024 and an amount of RMB28,516,975 to be paid by Zhejiang Huazhang to the plaintiff and the amount was paid to the plaintiff during the six months ended 31 December 2024. Details are set out in note 28 to the condensed consolidated interim financial statements.

As at 31 December 2024 (unaudited), a provision for legal claims amounted to RMB1,745,813 (30 June 2024: RMB1,745,813, audited) was related to a legal claim made by a supplier and is not yet settled.

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

For the six months ended 31 December 2024

**21 TRADE AND OTHER PAYABLES** *(Continued)*

The ageing analysis of the trade payables is as follows:

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Up to 3 months	<b>48,906,308</b>	48,412,492
3 months to 6 months	<b>22,056,270</b>	38,405,304
6 months to 1 year	<b>13,059,333</b>	13,829,390
1 year to 2 years	<b>23,583,249</b>	25,613,435
Over 2 years	<b>31,883,253</b>	40,646,389
	<b>139,488,413</b>	166,907,010

**22 INTEREST-BEARING LOANS**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Bank borrowings	<b>87,000,000</b>	73,000,800
Loan from independent third parties	<b>390,778</b>	366,384
Payable within one year	<b>87,390,778</b>	73,367,184

As at 31 December 2024 and 2023, the Group's borrowings are all denominated in RMB.

As at 31 December 2024 (unaudited), the Group's loans from bank carry interest at an average rate of 3.51% per annum (30 June 2024: 3.82% per annum, audited) and were borrowed by using banking facilities (30 June 2024: were borrowed by using banking facilities).

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

For the six months ended 31 December 2024

**22 INTEREST-BEARING LOANS** *(Continued)*

At the end of the reporting period, the Group had the following unutilised banking facilities:

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Authorised banking facilities — expiring within one year	<b>111,290,000</b>	80,290,000
Less: utilised banking facilities	<b>(66,990,000)</b>	(29,000,000)
	<b>44,300,000</b>	51,290,000

As at 31 December 2024 (unaudited), 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 RMB19,079,639, RMB73,049,371 and RMB2,656,084, respectively (30 June 2024: RMB20,883,837, RMB75,715,269 and RMB2,708,286, audited respectively).

**23 DEFERRED INCOME**

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
At beginning of the period/year	<b>18,787,500</b>	20,137,500
Amortised as income	<b>(675,000)</b>	(1,350,000)
At end of the period/year	<b>18,112,500</b>	18,787,500

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

For the six months ended 31 December 2024

**24 SHARE CAPITAL AND PREMIUM**

				RMB
Issued and fully paid:				
At 1 July 2023 (audited)				8,907,761
Issuance of shares upon open offer				4,916,572
At 30 June 2024 (audited) and 31 December 2024 (unaudited)				13,824,333
	Number of issued shares	Ordinary shares RMB	Share premium RMB	Total RMB
At 1 July 2023 (Audited)	1,064,089,378	8,907,761	663,145,447	672,053,208
Issue of shares upon open offer (Note)	532,044,689	4,916,572	90,870,177	95,786,749
At 30 June 2024 (audited) and 31 December 2024 (unaudited)	1,596,134,067	13,824,333	754,015,624	767,839,957

*Note:* On 18 April 2024, the Company issued an aggregate of 532,044,689 new ordinary shares (which included 133,298,891 taken open offer shares and 398,745,798 untaken open offer shares by way of placement) at the open offer price of HK\$0.20. Proceeds from the open offer net of transaction costs of approximately HK\$1,500,000 (equivalent to approximately RMB1,374,929) amounted to approximately HK\$104,500,000 (equivalent to approximately RMB95,786,749) which was used for (i) repayment of certain bank loans; (ii) expansion of the Group's industrial automation and other related businesses and the supporting services; and (iii) general working capital of the Group. Details of the open offer were contained in the Company's announcements dated 17 April 2024, the Company's prospectus dated 15 March 2024 and the Company's circular dated 12 January 2024.

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

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

For the six months ended 31 December 2024

**25 OTHER RESERVES**

	Reorganisation reserve RMB	Merger reserve RMB	Statutory reserves RMB	Translation reserves RMB	Share Option Scheme (i) RMB	Fair value reserve RMB	Total RMB
<b>At 1 July 2024 (Audited)</b>	2,335,540	33,028,254	36,451,103	17,002,457	6,785,698	30,190,011	125,793,063
Share options (i)	-	-	-	-	(68,807)	-	(68,807)
Translation differences	-	-	-	(1,028,740)	-	-	(1,028,740)
<b>At 31 December 2024 (Unaudited)</b>	2,335,540	33,028,254	36,451,103	15,973,717	6,689,891	30,190,011	124,695,516
<b>At 1 July 2023 (Audited)</b>	2,335,540	33,028,254	36,451,103	22,467,960	5,983,457	30,190,011	130,456,325
Share options (i)	-	-	-	-	584,307	-	584,307
Translation differences	-	-	-	(22,767)	-	-	(22,767)
<b>At 31 December 2023 (Unaudited)</b>	2,335,540	33,028,254	36,451,103	22,445,193	6,567,764	30,190,011	131,017,865

**(i) Share option scheme**

A new share option scheme of the Company (the “New Share Option Scheme”) was approved and adopted by the shareholders of the Company at its extraordinary general meeting held on 10 February 2022 (the “Adoption Date”) in replacement of the share option scheme adopted on 6 May 2013 and effective on 16 May 2013 (the “2013 Share Option Scheme”) and that no further options of the Company shall be offered or granted under the 2013 Share Option Scheme.

The classes of eligible persons under the New Share Option Scheme are materially the same as those of the 2013 Share Option Scheme, namely, any full-time or part-time employee of the Company or any member of the Group, including any executive Directors, non-executive Directors and independent non-executive Directors. The basis of eligibility of any class of eligible persons to the grant of any Option will be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group.

The Board may, at its absolute discretion, invite any eligible person to take up Options. Upon acceptance of the Option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

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

For the six months ended 31 December 2024

**25 OTHER RESERVES** *(Continued)***(i) Share option scheme** *(Continued)*

Subject to obtaining approval from the Shareholders with respect to the adoption of the New Share Option Scheme, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other scheme must not in aggregate exceed 10% of the Shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company will not be counted for the purpose of calculating such 10% scheme mandate limit. The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the New Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to a Participant (the "Further Grant") would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the New Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time, the Further Grant must be separately approved by the Shareholders in general meeting with such Participant and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the Participant is a connected person) abstaining from voting.

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

For the six months ended 31 December 2024

**25 OTHER RESERVES** (Continued)**(i) Share option scheme** (Continued)

Details of the share options granted and outstanding during the period were:

Name or category of participants	Date of Grant (Note b)	Exercise price (Note e)	Adjusted exercise price	Number of share options			Vesting & exercise period	Closing price per share immediately before the date of grant
				At 1 July 2024	Forfeited during period	At 31 December 2024		
Directors								
Mr. Chen Hongwei	31 May 2022	HK\$0.51	HK\$0.461	553,359	–	553,359	Note c	HK\$0.49
Mr. Heng, Keith Kai Neng	31 May 2022	HK\$0.51	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Mr. Yao Yang Yang	31 May 2022	HK\$0.51	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Ms. Zhang Dong Fang	31 May 2022	HK\$0.51	HK\$0.461	332,016	–	332,016	Note c	HK\$0.49
Other Employees	31 May 2022	HK\$0.51	HK\$0.461	32,825,297	(332,016)	(32,493,281)	Note c	HK\$0.49
In aggregate				34,374,704	(332,016)	(34,042,688)		

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

For the six months ended 31 December 2024

**25 OTHER RESERVES** *(Continued)***(i) Share option scheme** *(Continued)*

Details of the share options granted and outstanding during the prior period were:

Name or category of participants	Date of Grant <i>(Note b)</i>	Exercise price	Number of share options			Vesting & exercise period	Closing price per share immediately before the date of grant
			At 1 July 2023	Lapsed/ expired during the period	At 31 December 2023		
Directors							
Mr. Wang Ai Yan <i>(Note a)</i>	31 May 2022	HK\$0.51	1,000,000	(1,000,000)	–	Note c	HK\$0.49
Mr. Chen Hongwei	31 May 2022	HK\$0.51	500,000	–	500,000	Note c	HK\$0.49
Mr. Shi Chenghu	31 May 2022	HK\$0.51	1,000,000	–	1,000,000	Note c	HK\$0.49
Mr. Heng, Keith Kai Neng	31 May 2022	HK\$0.51	300,000	–	300,000	Note c	HK\$0.49
Mr. Yao Yang Yang	31 May 2022	HK\$0.51	300,000	–	300,000	Note c	HK\$0.49
Ms. Zhang Dong Fang	31 May 2022	HK\$0.51	300,000	–	300,000	Note c	HK\$0.49
Other Employees	31 May 2022	HK\$0.51	31,010,000	(330,000)	30,680,000	Note c	HK\$0.49
In aggregate			34,410,000	(1,330,000)	33,080,000		



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

For the six months ended 31 December 2024

### 25 OTHER RESERVES (Continued)

#### (i) Share option scheme (Continued)

Notes:

- (a) Being also a substantial shareholder of the Company.
- (b) The validity period of the Share Options granted on 31 May 2022 is from 31 May 2022 to 30 May 2032.

The Share Options granted on 31 May 2022 shall be vested and are exercisable in the following manners:

- (i) 30% of the Share Options may be exercisable at any time commencing from the Date of Grant up to 30 May 2032;
- (ii) 30% of the Share Options and the first 30% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2023 up to 30 May 2032; and
- (iii) the remaining 40% of the Share Options and the first 60% of the Share Options which are yet to be exercised may be exercisable at any time commencing from 31 May 2024 up to 30 May 2032.

The closing price of the shares immediately before the date on which the Share Options were granted was HK\$0.49 per share.

- (c) On 31 May 2022, 85,940,000 share options were granted to the directors and employees of the Group under the New Share Option Scheme. The fair value of the share options granted was prepared by Valplus Consulting Limited, an independent qualified professional valuer not connected to the Group who holds a recognised and relevant professional qualification. The estimated fair value of the share options was approximately HK\$9,034,000 (equivalent to approximately RMB7,481,960).

The Group recognised the expense of RMB584,307 for the six months ended 31 December 2023 (six months ended 31 December 2024: nil) to share options granted by the Company. During the six months ended 31 December 2024, no share options granted were exercised (six months ended 31 December 2023: Nil).

Other than as disclosed above, at no time during the six months ended 31 December 2024 and 2023 was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the Directors and chief executives of the Company (including their spouses and children under 18 years of age) or their associates to acquire benefits by means of the acquisition of Shares and/or debt securities, including debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")).

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

For the six months ended 31 December 2024

**25 OTHER RESERVES** *(Continued)***(i) Share option scheme** *(Continued)**Notes: (Continued)*

- (d) The relevant model has been used to estimate the fair value of the share options granted to directors and employees. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

The following assumptions were used to calculate the fair values of share options granted to directors and employees:

	31 May 2022
Methodology	Binomial Model
Grant date share price	HK\$0.51
Exercise price	HK\$0.51
Expected life	10 years
Expected volatility	70.10%
Dividend yield	0%
Risk-free interest rate	2.80%

Expected volatility was determined by using quoted prices of comparable companies in active markets as of 31 May 2022.

Expected dividend yield is determined with reference to historical dividend payment of the Company.

The expected life used in the model is time to maturity of the financial instrument.

- (e) On 18 April 2024, the Company completed the open offer of the Company's shares and an adjustment was made to the exercise price and number of share options of the Company's outstanding share options granted on 31 May 2022, details per the announcement of the Company dated 17 April 2024.
- (f) At the end of the reporting period, the Company revises its estimates of number of share options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

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

For the six months ended 31 December 2024

**26 COMMITMENTS*****As lessor***

The future minimum lease receivables under non-cancellable operating leases as at 31 December 2024 and 30 June 2024 are summarised as follows:

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
No later than 1 year	<b>5,130,192</b>	5,939,341
Later than 1 year and no later than 5 years	<b>2,679,501</b>	4,867,602
	<b>7,809,693</b>	10,806,943

**27 RELATED-PARTY TRANSACTIONS**

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 31 December 2024 and 2023 and balances arising from related party transactions as at 31 December 2024 and 30 June 2024.

**(a) Name and relationship with related parties**

<b>Name of related parties</b>	<b>Relationships</b>
Mr. Fang Hui	Controlling shareholder, chairman and executive director of the Company
Mr. Jin Hao	Director of Zhejiang Huazhang
Dao He Investment Limited ("Dao He")	A wholly owned company by Mr. Fang Hui
Taizhou Hengshengtianyue Metal Co., Ltd. ("Taizhou Metal")	Controlled by close family members of Mr. Fang Hui

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

For the six months ended 31 December 2024

**27 RELATED-PARTY TRANSACTIONS** *(Continued)***(b) Transactions with related parties**

	<b>Six months ended 31 December</b>	
	<b>2024 (Unaudited) RMB</b>	<b>2023 (Unaudited) RMB</b>
Key management compensation		
— Salaries	<b>2,736,216</b>	1,047,155
— Social security costs	<b>33,163</b>	8,700
— Pension costs — defined contribution plans	<b>44,940</b>	21,422
— Share options	<b>—</b>	(137,186)
— Other benefits	<b>13,500</b>	22,600
	<b>2,827,819</b>	962,691

**(c) Balances with related parties***Due from related parties*

	<b>As at 31 December 2024 (Unaudited) RMB</b>	<b>As at 30 June 2024 (Audited) RMB</b>
Other receivables <i>(Note)</i>		
— Jiafu Paper <i>(Note 19)</i>	<b>—</b>	—
Trade receivable		
— Taizhou Metal <i>(Note 19)</i>	<b>—</b>	—

*Note:*

As at 31 December 2024 (unaudited), the gross carrying amount due from Jiafu Paper was RMB39,541,029 (30 June 2024: RMB39,541,029, audited) and full provision for impairment was recognised in the year ended 30 June 2022.

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

For the six months ended 31 December 2024

**28 LITIGATION**

Zhejiang Huazhang Technology Limited (“Zhejiang Huazhang”), a wholly-owned subsidiary of the Company, received a first instance judgment (the “Judgment”) dated 24 December 2021 handed down by the Intermediate People’s Court of Chuxiong Yi Autonomous Prefecture of Yunnan Province (雲南省楚雄彝族自治州中級人民法院) (the “Court”) in the PRC in relation to a contractual dispute between Hubei Industrial Construction Group Installation Engineering Company Limited (湖北省工業建築集團安裝工程有限公司) (“Plaintiff”) as plaintiff and Yunnan Yunhong Paper Company Limited (雲南雲泓紙業有限公司) as defendant. Zhejiang Huazhang was also named as a co-defendant in the legal proceedings.

Zhejiang Huazhang had lodged an appeal application (the “Appeal Application”) with the Higher People’s Court of Yunnan Province (雲南省高級人民法院) (the “Appeal Court”) against the Judgment. The Appeal Application approved on 22 August 2022 whereby the Appeal Court ordered, among other things, to set aside the initial Judgement. However, the order made on 12 January 2022 to freeze the aggregate amount of approximately RMB37.6 million in the bank accounts remains in effect.

On 20 December 2023, the Court accepted the Plaintiff’s request to continue to freeze certain bank accounts of Zhejiang Huazhang to the amount of approximately RMB37.6 million for an additional year.

On 28 June 2024, Zhejiang Huazhang received a judgement from the courts for the retrial of the first instance case in which the courts awarded the Plaintiff compensation for breach of contract in the amount of RMB32,994,295 which had already been recognised.

On 5 August 2024, Zhejiang Huazhang lodged a second appeal application with Appeal Court.

On 1 November 2024, Zhejiang Huazhang received the final verdict of the first instance case in which the courts awarded the Plaintiff compensation for breach of contract in the amount of RMB28,516,975. The Group settled the amount on 11 November 2024. Based on the final verdict, an over provision of RMB4,477,320 was recognised in the six months ended 31 December 2024.